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ABSTRACT

Testimonies were heard in reference to the administration's annual rural development policy report and H.R. 5024, the Rural Development Reorganization Act of 1984. The bill provides that the Department of Agriculture shall be known as the Department of Agriculture and Rural Development, transfers the administration of certain conservation programs from the Farmers Home Administration to the Soil Conservation Service, establishes the Rural Development administration within the Department of Agriculture and Rural Development, transfers the administration of certain rural housing programs from the Farmers Home Administration to the Rural Development Administration, and provides that the Farmers Home Administration shall be known as the Farm Administration. Twenty-six representatives offering testimony to the hearing included spokespeople from: National Association of Conservation Districts; Public Works and Economic Development Association; Ruritan National; National Rural Electric Cooperative Association; National Association of Community Health Centers; Rural America; National Rural Housing Coalition; National Grange; National Farmers Union; National Association of Towns and Townships; American Agriculture Movement, Inc.; Council for Rural Housing and Development; National Association for Transportation Alternatives; and American Farm Bureau Federation. Written documentation submitted to the hearing is also attached. (ERB)

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RURAL DEVELOPMENT REORGANIZATION ACT OF 1984; AND THE U.S. DEPARTMENT OF AGRICULTURE'S RURAL DEVELOPMENT POLICY REPORT

ED251279

HEARING

BEFORE THE

SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 5024

MAY 16, 1984

Serial No. 98–73

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RURAL DEVELOPMENT REORGANIZATION ACT OF 1984; AND THE U.S. DEPARTMENT OF AGRICULTURE'S RURAL DEVELOPMENT POLICY REPORT

WEDNESDAY, MAY 16, 1984

House of Representatives,
Subcommittee on Conservation,
Credit, and Rural Development,
Committee on Agriculture,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:15 a.m., in room 1302, Longworth House Office Building, Hon. Ed Jones of Tennessee (chairman of the subcommittee) presiding.

Present: Representatives English, Glickman, Stenholm, Tallon, Durbin, Evans of Illinois, Coleman, Jeffords, Skeen, Morrison, and Gunderson.

Also present: Representative Watkins.

Staff present: Cristobal P. Aldrete, special counsel; John E. Hogan, minority counsel; Mark Dungan, minority associate counsel; Peggy L. Pecore, clerk; Gerald W. Welcome, Bernard Brenner, Robert A. Cashdollar, James W. Johnson, Jr., David A. Ebersole, and Carol Ann Dubard.

OPENING STATEMENT OF HON. ED JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. Jones of Tennessee. Good morning. The Subcommittee on Conservation, Credit, and Rural Development will come to order.

I have a very brief statement to make before we begin the hearing, and then if there are other members who are here by that time, I'll yield to them for any statement that they might make.

Before I begin, I want to say that we are very proud indeed that you are here today. We will lay out some ground rules to hear the witnesses and to also hear the committee doing the questioning, because of the long list of witnesses that we do have. That I will do at the conclusion of the statements here before we begin with the witnesses.

Today's hearings deal with two topics—the administration's annual rural development policy report and H.R. 5024, the Rural Development Reorganization Act of 1984, sponsored by Representative Wes Watkins, chairman of the congressional rural caucus.

Each member has already been provided with copies of the pertinent documents and background materials relating to these issues.

As you know, this subcommittee has focused in recent years on saving the integrity and the funding of existing rural development programs. This has been a difficult task, and success has been limited at best.

This meeting, however, is a look at new initiatives being proposed by Congresman Watkins and a policy review by the U.S. Department of Agriculture.

The agenda today is full of knowledgeable witnesses from all across the country. I look forward to hearing from each one; and, to be fair, I'll ask each witness to submit their entire statement for the hearing record and simply summarize their main points, and I ask you, if at all possible, to limit your statements to not more than 5 minutes, if possible.

However, you will not be called upon to cease if you cannot do it in that length of time. Hopefully, this will allow the subcommittee members to ask a few questions. I ask your cooperation in this so that everyone may be heard.

As I said, we will lay out the ground rules, and we will accept these witnesses today in panels in most cases, as outlined on the witness list, and the 5-minute rule will be in effect as far as witnesses are questioned here by members of the subcommittee.

If there are more questions, when we have been heard one time, we will go back around a second time, if we have enough time to do that.

[The bill, H.R. 5024, follows:]

98TH CONGRESS
2D SESSION

H. R. 5024

To provide that the Department of Agriculture shall be known as the Department of Agriculture and Rural Development, to transfer the administration of certain conservation programs from the Farmers Home Administration to the Soil Conservation Service, to establish the Rural Development Administration within the Department of Agriculture and Rural Development, to transfer the administration of certain rural housing programs from the Farmers Home Administration to the Rural Development Administration, to provide that the Farmers Home Administration shall be known as the Farm Administration, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 1984

Mr. WATKINS introduced the following bill; which was referred jointly to the Committees on Agriculture and Banking, Finance and Urban Affairs

---

A BILL

To provide that the Department of Agriculture shall be known as the Department of Agriculture and Rural Development, to transfer the administration of certain conservation programs from the Farmers Home Administration to the Soil Conservation Service, to establish the Rural Development Administration within the Department of Agriculture and Rural Development, to transfer the administration of certain rural housing programs from the Farmers Home Administration to the Rural Development Administration, to provide that the Farmers Home Administration shall be known as the Farm Administration, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Rural Development Reorganization Act of 1984".

TITLE I—REORGANIZATION WITHIN DEPARTMENT OF AGRICULTURE

RENAMING OF DEPARTMENT OF AGRICULTURE

SEC. 101. (a) Title XII of the Revised Statutes (7 U.S.C. 2201 et seq.) is amended by striking out "Department of Agriculture" each place it appears and inserting in lieu thereof "Department of Agriculture and Rural Development".

(b) Section 5312 of title 5, United States Code is amended by striking out the item relating to the Secretary of Agriculture and inserting in lieu thereof the following new item:

"Secretary of Agriculture and Rural Development.".

ESTABLISHMENT OF RURAL DEVELOPMENT ADMINISTRATION

SEC. 102. (a) There is hereby established, in the Department of Agriculture and Rural Development, the Rural Development Administration, which shall be headed by an Administrator appointed by the Secretary of Agriculture and

Rural Development, by and with the advice and consent of the Senate.

(b) Section 5316 of title 5, United States Code, is amended by striking out the item relating to the Administrator of the Farmers Home Administration and inserting in lieu thereof the following new items:

"Administrator, Farm Administration.

"Administrator, Rural Development Administration, Department of Agriculture and Rural Development.".

AMENDMENTS TO CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

SEC. 103. (a) Section 309(e) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1929(e)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration and Rural Development Administration".

(b) The first sentence of section 331 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981) is amended—

(1) by striking out "For the purposes of this title and" and inserting in lieu thereof "In accordance with section 349 of this subtitle, for purposes of this title, and",

(2) by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration", and

(3) by inserting before the period "or to the Rural Development Administration or Soil Conservation Service".

(c) Section 331(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981(a)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration, Rural Development Administration, and Soil Conservation Service".

(d) Section 331(d) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981(d)) is amended—

(1) by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration",

(2) by striking out "under any of its programs" and inserting in lieu thereof ", the Rural Development Administration, or the Soil Conservation Service under any of their respective programs,", and

(3) by striking out "Administrator:" and inserting in lieu thereof "the head of the agency involved:".

(e) Section 331(h) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981(h)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "by the Rural Development Administration or Soil Conservation Service under this title or the Farm Administration".

(f) Section 331(i) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981(i)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration".

(g) Section 331A of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981a) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration".

(h) Section 335(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1985(a)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration".

(i) Section 335(c) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1985(c)) is amended by inserting "the provisions of this title administered by the Rural Development Administration or Soil Conservation Service or" after "consistent with".

(j) Section 335(d) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1985(d)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration".

(k) Section 338(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1988(a)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration, the Rural Development Administration, or the Soil Conservation Service".

(l) The first sentence of section 347 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1995) is amended—

(1) by inserting "or any program administered under this title by the Rural Development Administration or Soil Conservation Service" before the period, and

(2) by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration".

(m) The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) is amended by adding at the end thereof the following new section:

"Sec. 349. (a) The Secretary shall carry out sections 303 (in the case of loans made for purposes specified in paragraphs (1) and (3) of subsection (a)) and 312(a) (in the case of loans made for purposes specified in paragraphs (1), (2), (3), (4), and (10)) through the Farm Administration.

"(b) The Secretary shall carry out sections 304 (in the case of loans made only for purposes of land and water development, use, and conservation), 314, and 310A through the Soil Conservation Service.

"(c) Except as provided in subsection (a) and subsection (b), the Secretary shall carry out the provisions of this Act (other than section 306(a)(15)) through the Rural Development Administration.".

AMENDMENT TO RURAL DEVELOPMENT ACT OF 1972

SEC. 104. The Rural Development Act of 1972 (7 U.S.C. 1006 et seq.) is amended by adding at the end thereof the following new section:

"SEC. 608. RURAL DEVELOPMENT ADMINISTRATION.—Title V and title VI of this Act shall be carried out through the Rural Development Administration.".

EXPANSION OF RESOURCE CONSERVATION AND DEVELOPMENT PROGRAM

SEC. 105. Section 1536 of the Agriculture and Food Act of 1981 (16 U.S.C. 3459) is amended by striking out "two hundred and twenty-five" and inserting in lieu thereof "four hundred and fifty".

CONFORMING AMENDMENTS

SEC. 106. (a)(1) Section 657 of title 18, United States Code, is amended by inserting ", Farm Administration, or the Rural Development Administration" after "Farmers' Home Administration".

(2) Section 658 of title 18, United States Code, is amended by inserting ", Farm Administration, or the Rural Development Administration" after "Farmers' Home Administration".

(3) Section 1006 of title 18, United States Code, is amended by inserting ", Farm Administration, or the Rural Development Administration" after "Farmers' Home Administration".

(4) Section 1014 of title 18, United States Code, is amended by inserting ", Farm Administration, or the Rural Development Administration" after "Farmers' Home Administration".

(b) Section 8(g) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(g)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration".

(c) Section 41(a) of the Bankhead-Jones Farm Tenant Act (60 Stat 1064; Public Law 731) is amended by striking out "Administrator of the Farmers' Home Administration" and inserting in lieu thereof "Administrator of the Farm Administration".

(d) Section 7(a) of the Federal Financing Bank Act of 1973 (12 U.S.C. 2286(a)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration".

(e)(1) Section 601(g) of the Powerplant and Industrial Fuel Use Act of 1978 (42 U.S.C. 8401(g)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration".

(2) Section 746(a) of the Powerplant and Industrial Fuel Use Act of 1978 (42 U.S.C. 8456(a)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration".

(f)(1) Section 623(c)(2) of the Community Economic Development Act of 1981 (42 U.S.C. 9812(c)(2)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Farm Administration and Rural Development Administration".

(2) Section 628 of the Community Economic Development Act of 1981 (42 U.S.C. 9817) is amended—

(1) by amending the heading to read "Department of Agriculture and Rural Development; Rural Development Administration Programs", and

(2) by striking out "Farmers Home Administration" and inserting in lieu thereof "Rural Development Administration".

(g) Section 105(d) of the National Consumer Cooperative Bank Act (12 U.S.C. 3015(d)) is amended by striking out "or Farmers Home Administration" and inserting in lieu thereof ", Farm Administration, or Rural Development Administration".

TITLE II—ADMINISTRATION OF FEDERAL RURAL HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

GENERAL TRANSFERS

SEC. 201. (a) There hereby are transferred to the Administrator of the Rural Development Administration all functions of the Administrator of the Farmers Home Administration, and of the Farmers Home Administration, under—

(1) title V of the Housing Act of 1949 (42 U.S.C. 1471 et seq.), except with respect to (A) loans made under section 502 of such Act; (B) loans insured under section 517(a) of such Act; and (C) assistance provided under section 521(a)(1) of such Act with respect to such loans; and

(2) section 302(c)(2) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1717(c)(2)).

(b) There hereby are transferred to the Administrator of the Farm Administration all functions of the Administrator of the Farmers Home Administration, and of the Farmers Home Administration, with respect to (1) loans made under section 502 of the Housing Act of 1949 (42 U.S.C. 1472); (2) loans insured under section 517(a) of such Act; and (3) assistance provided under section 521(a)(1) of such Act with respect to such loans.

CONFORMING AMENDMENTS TO TITLE V OF HOUSING ACT OF 1949

SEC. 202. (a)(1) Section 501(a) of the Housing Act of 1949 (42 U.S.C. 1471(a)) is amended—

(A) by striking out "Secretary of Agriculture" and inserting in lieu thereof "Secretary of Agriculture and Rural Development"; and

(B) by striking out ", through the Farmers Home Administration,".

(2) Section 501 of the Housing Act of 1949 (42 U.S.C. 1471) is amended by adding at the end thereof the following new subsection:

"(h) The Secretary shall provide the financial assistance authorized in this title through—

"(1) the Farm Administration, with respect to (A) loans made under section 502; (B) loans insured under section 517(a); and (C) assistance provided under section 521(a)(1) with respect to such loans; and

"(2) the Rural Development Administration, with respect to all other financial assistance under this title.".

(b)(1) Section 506(b) of the Housing Act of 1949 (42 U.S.C. 1476(b)) is amended by striking out "Farmers Home

Administration" and inserting in lieu thereof "Rural Development Administration".

(2) Section 506(d) of the Housing Act of 1949 (42 U.S.C. 1476(d)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Rural Development Administration".

(3) Section 506(e) of the Housing Act of 1949 (42 U.S.C. 1476(e)) is amended by striking out "of Agriculture".

(c) Section 508(a) of the Housing Act of 1949 (42 U.S.C. 1478(a)) is amended by inserting "and Rural Development" after "Agriculture".

(d) Section 510(e) of the Housing Act of 1949 (42 U.S.C. 1480(e)) is amended by striking out "Farmers Home Administration's" and inserting in lieu thereof "Farm Administration's".

(e) Section 514(b)(3) of the Housing Act of 1949 (42 U.S.C. 1484(b)(3)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Rural Development Administration".

(f) Section 517(i) of the Housing Act of 1949 (42 U.S.C. 1487(i)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Rural Development Administration".

(g) Section 523(b) of the Housing Act of 1949 (42 U.S.C. 1490c(b)) is amended by striking out "of Agriculture (in this section referred to as the 'Secretary')".

(h) Section 523(b) of the Housing Act of 1949 (42 U.S.C. 1490h(b)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Rural Development Administration".

(i) Section 533(c)(1) of the Housing Act of 1949 (42 U.S.C. 1490m(c)(1)) is amended by striking out "Farmers Home Administration" and inserting in lieu thereof "Rural Development Administration".

(j) Section 535 of the Housing Act of 1949 (42 U.S.C. 1490o) is amended by inserting "and Rural Development" after "Agriculture".

ADDITIONAL CONFORMING AMENDMENTS

Sec. 203. (a) Section 302(c)(2) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1717(c)(2)) is amended by striking out "Farmers Home Administration of the Department of Agriculture" and inserting in lieu thereof "Rural Development Administration of the Department of Agriculture and Rural Development".

(b) Section 7(a) of the Federal Financing Bank Act of 1973 (12 U.S.C. 2286(a)), as amended in section 106(d), is amended by inserting before the period at the end thereof the following: ", or by the Rural Development Administration under title V of the Housing Act of 1949".

TITLE III—ADMINISTRATIVE PROVISIONS

REFERENCES

SEC. 301. (a) Any reference in any law, regulation, or order in effect immediately before the effective date of this Act to the Department of Agriculture shall be deemed to be a reference to the Department of Agriculture and Rural Development.

(b) Any reference in any law, regulation, or order in effect immediately before the effective date of this Act to the Secretary of Agriculture, or any other officer or employee of the Department of Agriculture, shall be deemed to be a reference to the Secretary of Agriculture and Rural Development, or an officer or employee of the Department of Agriculture and Rural Development, as the case may be.

(c) Any reference in any law, regulation, or order in effect immediately before the effective date of this Act to the Farmers Home Administration or Farmers' Home Administration or to the Administrator of the Farmers Home Administration or of the Farmer's Home Administration relating to any function, power, or duty which is, on or after such effective date, a function, power, or duty of the Rural Development Administration or the Administrator of the Rural Development Administration, shall be deemed to be a reference to the Rural Development Administration or to the Administrator of the Rural Development Administration, as the case may be.

(d) Any reference in any law, regulation, or order in effect immediately before the effective date of this Act to the Farmers Home Administration or Farmers' Home Administration or to the Administrator of the Farmers Home Administration or of the Farmer's Home Administration relating to any function, power, or duty which is, on or after such effective date, a function, power, or duty of the Soil Conservation Service or the head of the Soil Conservation Service shall be deemed to be a reference to the Soil Conservation Service or to the head of the Soil Conservation Service, as the case may be

(e) Except as provided in subsection (c) and subsection (d), any reference in any law, regulation, or order in effect immediately before the effective date of this Act to the Farmers Home Administration or Farmers' Home Administration or to the Administrator of the Farmers Home Administration or of the Farmer's Home Administration relating to any function, power, or duty which is, on or after such effective date, a function, power, or duty of the Farm Administration or the Administrator of the Farm Administration shall be deemed to be a reference to the Farm Administration or the Administrator of the Farm Administration, as the case may be.

INCIDENTAL TRANSFERS

SEC. 302. (a) The Secretary of Agriculture and Rural Development shall make such determinations, and shall transfer such personnel from the Office of Rural Development Policy and the Farm Administration, as may be necessary or appropriate with regard to the functions transferred by this Act to the Rural Development Administration and the Soil Conservation Service. The Secretary shall also make such additional incidental dispositions of personnel, assets, liabilities, contracts, property, records, and unexpended balances of appropriations, authorizations, allocations, and other funds held, used, arising from, available, or to be made available in connection with the functions transferred by this Act, as the Secretary may deem necessary to accomplish the purposes of this Act.

(b) The Administrator of the Farm Administration and the Secretary of Agriculture and Rural Development shall take whatever steps are necessary to assure the effective and efficient transfer of authority as provided for in this Act and the amendments made by this Act.

ABATEMENT; SUCCESSION IN INTEREST

SEC. 303. (a)(1) No suit, action, or other proceeding commenced before the effective date of this Act by or against any officer of the Farmers Home Administration in the official capacity of such officer shall abate by reason of this Act or any amendment made by this Act.

(2) No cause of action arising before the effective date of this Act by or against the Farmers Home Administration shall abate by reason of this Act or any amendment made by this Act.

(b) If, before the effective date of this Act, the Farmers Home Administration, or any officer of the Farmers Home Administration in the official capacity of such officer, is a party to a suit, action, or other proceeding and if by reason of this Act or any amendment made by this Act the function involved, or such officer named, in such suit, action, or proceeding is transferred to the Farm Administration, the Rural Development Administration, or the Soil Conservation Service, then such suit shall be continued with the Secretary of Agriculture and Rural Development or other appropriate officer of the Department substituted or added as a party.

(c) The rights, interests, obligations, and duties of the Farmers Home Administration arising before the effective date of this Act out of any—

(1) loan made, insured, or guaranteed, or

(2) grant or contract made,

by the Farmers Home Administration in the exercise of its functions are hereby vested in the Farm Administration (except with respect to any function to be exercised after the effective date of this Act by the Rural Development Administration or the Soil Conservation Service), in the Rural Development Administration (with respect to any function to be exercised after the effective date of this Act by the Rural Development Administration), and in the Soil Conservation Service (with respect to any function to be exercised after the effective date of this Act by the Soil Conservation Service).

EFFECTIVE DATE

SEC. 304. This Act and the amendments made by this Act shall take effect on October 1, 1984.

Mr. Jones of Tennessee. This morning, our first witness is the chairman of the congressional rural caucus, a Member of Congress from the State of Oklahoma, a very dedicated friend of agriculture, a man who has devoted a lot of time to agriculture since he has been in the Congress and before coming to Washington, and I'm indeed glad to be able to serve with him on the congressional rural caucus in the work that we do there.

The Honorable Wes Watkins is at the witness table along with Mr. Frank Tsutras, who runs the congressional rural caucus under Mr. Watkins' supervision, and, Wes, we are delighted you are here. You may begin and take what time is necessary.

STATEMENT OF HON. WES WATKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA, AND CHAIRMAN, CONGRESSIONAL RURAL CAUCUS, ACCOMPANIED BY FRANK GUS TSUTRAS, DIRECTOR, CONGRESSIONAL RURAL CAUCUS

Mr. Watkins. Thank you, Mr. Chairman, and I first and foremost want to say thanks to you and also members of the committee.

I've looked forward to this particular hearing, and I will try to make comments concerning the two phases that you called this hearing for today—one, the Office of Rural Development strategy report, and also the hearings on H.R. 5024, the bill that I've introduced, the Rural Development Reorganization Act of 1984.

Mr. Chairman, I would like to, first, from a very positive standpoint, indicate that I think that the strategy report this year had more substance in it than it has in the past, but I would like to also emphasize that it basically is still a policy report.

It does not have as much of the substance I think that even the Office of Rural Development Policy would like to have, and especially also some of the people down at the USDA, that we would all like to have for rural America, but I think they have pointed out some significant roles that we need to have active participation in and, without question from my standpoint, some needed and essential dollars in order to try to implement in the future.

They are taking a few directions and demonstrations across America in order to try to initiate some new thrusts. I think those are going to be most important if we are going to revitalize much of the areas across rural America.

Speaking on the strategy report, for the first time, Mr. Chairman, I'd like to point out to the committee, in black and white, we have a report that shows the tremendous tie between agriculture and the rural communities of rural America. In fact the title of the report—it's entitled "Rural Communities and the American Farm: A Partnership for Progress."

Now we all recognize today that there is probably more need for that partnership than ever before, when you realize that two-thirds of our farm income comes from something other than farming.

We must have and strengthen our rural communities with the proper infrastructure and also the proper industrial and business development across America, but for the first time this strategy report has recognized that, and I think has emphasized that, in their report.

I'd like to think that this would be a catalyst for us to respond and move out as a Congress on the particular bill that I've introduced, which has received the endorsement of a number of people outside in the agriculture community and in the rural development communities across America, also a number of our colleagues in Congress who have also endorsed this bill.

H.R. 5024 happens to be entitled "Rural Development Reorganization Act of 1984."

I'd like to explain this bill briefly to my colleagues, the chairman and members of the committee, because I did not make these decisions overnight about making some administrative changes in the Department of Agriculture.

I might point out that, prior to coming to Congress, I actually implemented a great deal of rural development programs under Farmers Home like single-family housing, also the 504 rehab program.

For over 12 years I was in the arena attempting to initiate programs within the Farmers Home Administration and the Department of Agriculture. I came here, and after 8 years I decided, after carefully observing and watching from this level in Congress, that we needed to make certain changes.

I didn't think we had to make those changes from a legislative standpoint or probably from the appropriating standpoint as much as making the changes down at the Department of Agriculture, in order to streamline a lot of the programs that have been added piecemeal, so to speak, over a number of years.

With that, that's what I'm attempting to do with H.R. 5024; administrative changes and reorganizing that administrative thrust that I think is very much needed.

I'd like to mention that we have, as I mentioned earlier, a number of groups that have already endorsed the concept, and I'd like to mention those to you—they are in a letter that I have sent to you—the American Planning Association, the National Farmers Union, the National Rural Electric Cooperative Association, the American Farm Bureau Federation, the National Rural Housing Coalition, the National Shortline Railroad Association, the Texas Council of State Community Affairs Agencies, the National Rural Water Association, the American Agriculture Movement, the National Milk Producers Federation, the National Association of Towns and Townships, the Southeast Georgia Area Planning and Development Commission, the National Grange, and also the National Farmers Organization.

I'd be the first one to point out that they do not agree with every "i" or "t" that is in the particular proposed legislation, but most of them will tell you that we need to move in order to streamline and have a more functional and operational agriculture phase of the part of the Department of Agriculture as well as the rural development function.

I was hoping I'd have a chalkboard, but without a chalkboard I'd like to explain it basically this way. Basically, we have gone and looked at one primary area in the Department of Agriculture—the Department of Agriculture and Rural Development—the Undersecretary of Agriculture for Small Cities and Rural Communities.

Within that function we have the Federal crop insurance. We do not mess with the Crop Insurance Program. Now, there's a lot of problems there, and I think we all would admit to that in Congress; that will probably have to be addressed one of these days.

Also under that particular Under Secretary, you have the Rural Electric Administration. The Rural Electric Administration—we do not change anything within the Rural Electric Administration. We leave Federal Crop, we leave the Rural Electric Administration, just as they are.

We go over to Farmers Home Administration, and the Farmers Home Administration basically, as you know and I know, have today the functions of agriculture loans as well as rural development loans.

One of the biggest criticisms that you and I get across our districts happens to be the lack of maybe time, maybe the lack of professionalism, the problems within the Farmers Home Administration.

What I'm attempting to do there is change the Farmers Home Administration to basically a farm administration, like the intent was many years ago when it was set up.

Some of you—I know Mr. English and others realize, studying back there, we realize it started out just as a function of agriculture, but we've added, because we didn't have any other area or agency, a lot of the rural development functions in order to be carried out in the rural communities across America.

But I have shifted the rural development activities and left the Farmers Home Administration a farm administration for all the agriculture loans. I've shifted the rural development activities over in formulating a rural development administration, the first time we've had an office that will have a thrust and single responsibility for rural development, taking the Office of Rural Development Policy, taking the technical assistance and the using the technical assistance activities under the Rural Development Administration, the new office we would set up; also take the associated measures and RC&D measures and bring those over, those of the community development activities of RC&D's.

All right. By having the technical assistance from the Office of Rural Development Policies, the associated measures from the RC&D's and the rural development activities from Farm Home, we have synchronized the responsibility and streamlined the responsibility for rural development.

What makes that important, that's the first time we've had an office with that single thrust or responsibility for rural development. We don't have to try to serve our farmers and ranchers from Farm Home and Rural Development both. We streamline both of those.

Now over under the Soil Conservation Service, we leave the RC&D Program under the Soil Conservation Service, just as it is today, but we basically take the associated measures and put it over under the Rural Development Administration.

But we have also taken from Farmers Home the water and soil conservation loans and shifted it over to Soil Conservation, which gives a better streamline of that function, and also the RC&D

loans, taken those, and shifted over—under Soil Conservation, where they have the responsibility of RC&D's.

Now, Mr. Chairman and members of the committee, we are not adding a number of new people; we are just staying within that administrative function to shift the appropriate individuals over to carry out the same functions they are carrying out now, so we are not changing any type of increased personnel or increased programs; we are just streamlining that area.

Now I would like to point out the other aspects of that. We are broadening RC&D. We are undergirthing, if you please, RC&D to have a direct input under the Rural Development Administration office.

By having a direct input, we will have a grassroots organization out there, the RC&D's, across America, that will not only carry out the functions they are today, but they will have a direct input, because many of them are frustrated out there in America in the RC&D's because they do not have basically, for one, the dollars to function with very much, but also an input—as much input into some of the rural community activities as they'd like.

So we have streamlined that; we have given a stronger function for the RC&D's.

I know in my area of the State, including our soil conservation commissioner there, Leonard Solomon, and others have endorsed this function and this type of approach, because they see that this will give the RC&D's a strengthened role in rural America in carrying out those functions.

So, Mr. Chairman, that basically is the underlying face of this particular bill.

There's one other additional thing that I've added, is I'd like to indicate that I feel strongly about, and think many of the people across America in rural areas feel strongly about. Right now we have the Department of Housing and Urban Development which basically functions as a role for our city cousins.

I advocate in the bill changing the Department of Agriculture to Agriculture—keeping it up front—Agriculture and Rural Development, so the small cities and rural communities out there will have the opportunity to be recognized on the same level as their city cousins, being able to be on the front burner along with their city cousins across America. So it would be an ARD. Instead of just having a HUD, we'd have an Agency for Agriculture and Rural Development.

Mr. Chairman, in closing, I'd like to say that also we would be taking the offices—the county offices of farm home would remain right like they are on the county level in carrying out the functions of agriculture, just as they are, and as my bill says, also administer the single-family housing.

The district offices would become the rural development administrative offices in carrying out the business industrial loans, the community facilities loans, the water and sewer loans, and all that on a district level.

Most of the district offices are set up on a five-, six-, seven-county area, and most of those large programs, you don't have enough of them on a per-county level for the county men to become expert in them, but the district man can function as experts and be able to carry those out in several counties.

So, Mr. Chairman, that's kind of a summary of H.R. 5024 and the functions of it, and I am open for any particular questions, comments, or anything that you or the other members might have.

I appreciate your willingness to take testimony on this today, and I think you will hear from a number of other people also.

[The prepared statement of Mr. Watkins appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Wes, for a good statement, and we do appreciate the fact that you have taken the time.

Rather than question you, we would like to ask permission to confer with you following this meeting for any answers to any questions that we might have.

Mr. WATKINS. OK.

Mr. JONES of Tennessee. Because it is easier to do here in Washington with a Member of Congress, and that's sort of our policy here as we meet with Members of Congress and they are heard.

We would like to invite you to join the subcommittee, if you would like to, and hear all the witnesses, and if you would care to join us here as the other subcommittee members sit.

Mr. WATKINS. I appreciate that, Mr. Chairman. I want to thank you and all the members for this opportunity.

Mr. JONES of Tennessee. Thank you very much.

Now for the first panel that is to be heard today, and as I call your names, will you come to the witness table to be heard.

Mr. Robert J. Mullins and Mr. Paul Sacia, National Farmers Union; Ms. Mary Kay Thatcher, American Farm Bureau Federation; Mr. James C. Miller, the National Grange; and Mr. David Senter of the American Agriculture Movement.

That's just a message that we have a vote on the floor of the House, and I think before we begin hearing you that we will recess the subcommittee to go vote, and return as quickly as possible, and then whoever goes first, you can make up your minds about that while we are gone.

Thank you.

[Recess taken.]

Mr. JONES of Tennessee. Please take your seats. We will proceed in just a moment.

Before we hear the first witness of the panel, I want to recognize a former member of the committee and a good friend of ours, now with USDA, the Assistant Secretary for Congressional Affairs, the Honorable Wilbur Ben Mizell.

Ben, we are glad you are here. Thank you for coming, it is always good to see you.

This panel, as the program shows, consists of four farm groups, and my program shows that Mr. Mullins is first, and he isn't there, so Mr. Sacia, are you first?

Mr. SACIA. Yes.

Mr. JONES of Tennessee. OK.

STATEMENT OF PAUL R. SACIA, ASSISTANT DIRECTOR, LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. SACIA. Thank you, Mr. Chairman.

In March of this year at the National Farmers Union convention in New Orleans, our delegates made clear what they believe should be the responsibilities of a reorganized farm loan agency.

The national delegates stated as policy that this agency should first be restricted to the assistance of family-sized farm units as a lender of last resort; provide supervised loan programs for the recapitalization of family farms; have authority to provide long-term real estate loans, with adjusted interest rates and flexible repayment schedules in accordance with the producer's annual net farm income and crop production to assist undercapitalized and beginning farmers; have authority for production loans at adjusted rates and flexible repayment schedules; be authorized to develop innovative programs of finance and assistance for land transfer between generations and the establishment of new farm units, including programs such as the Saskatchewan Land Bank; also to work closely with State programs designed for beginning and undercapitalized family farmers, and be able to supplement and guarantee such State programs; and, last, become the primary agency within USDA for researching and developing programs and policies toward the goal of providing security for the family farm system of agriculture.

To a large degree, Mr. Chairman, H.R. 5024 addresses the concerns expressed by our members in New Orleans. Our only substantive problem with the bill lies in the changing of the name of the Department of Agriculture.

While we would not oppose this legislation if that proposal remained intact, we believe that trying to develop a name that is representative of the department's wide range of responsibilities would simply be an exercise in semantics and could impede the progress of this bill as it moves through Congress.

We would like to point out that, while this reorganization scheme does not warrant an increase in staffing, we don't believe that we should lose sight of the fact that Farmers Home Administration right now is terribly understaffed, and that's of great concern to us.

Also, H.R. 5024 provides an institutional, structural change that will better deliver services to rural America, but we believe that the core problem is not one of structure. In fact, it's not even one of communication difficulties between Farmers Home Administration offices, like we so often hear from Farmers Home offices. Nor is it external circumstances, such as weather or crop prices.

These problems do exist, but we believe Congress has given Farmers Home Administration the authority to respond in kind to these sorts of developments.

The real problem, we believe, is unflattering bias demonstrated by this Department of Agriculture, the view that many of these farmers are not worthy of saving because they are poor managers. Therefore, why not ignore the intent of Congress and the courts in its administration of the Economic Emergency Loan Program, the

Disaster Loan Program, Limited Resource Loan Program, and foreclosure policies?

In fact, why not introduce a loan application form such as the coordinated financial statement, which could cost the farmer up to $500 to fill out and which, in fact, acts as, one, a major deterrent to a farmer in applying for a Farmers Home Administration loan; and, more importantly, represents a condescending statement by our Government that if a farmer was only using better bookkeeping methods, he wouldn't be in the predicament that he finds himself in?

Mr. Chairman, these are some of the things that our farmers are facing right now.

We commend Congressman Watkins for a very constructive piece of legislation, and especially want to thank the chairman of this subcommittee and all its members for all the hard work that you have put into this effort, and be vigilant as far as trying to ease some of the pain that a lot of our farmers are now experiencing.

Thank you very much.

[The prepared statement of Mr. Sacia appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Sacia, for your statement, and we will withhold our questioning until we have heard the entire panel.

Ms. Thatcher of the American Farm Bureau Federation, we are delighted that you are here, and you may proceed.

STATEMENT OF MARY KAY THATCHER, ASSISTANT DIRECTOR, NATIONAL AFFAIRS DIVISION, AMERICAN FARM BUREAU FEDERATION

Ms. THATCHER. Mr. Chairman, we appreciate the opportunity to present testimony this morning.

The Farmers Home Administration was originally created for one purpose—to make loans to Depression-stricken farm families. Today, although FmHA still aids family farmers, its resources are not concentrated on aiding those family farmers because its programs have become so highly diversified.

Programs which require not only funds but time and effort of FmHA personnel include home ownership loans, rental housing loans, mutual self-help housing loans, congregate housing loans, water and waste disposal loans, energy impact assistance grants, community facility funding, business and industry program funding, watershed and flood prevention loans, and resource conservation and development loans.

These programs all draw on the time that FmHA personnel at the national, State, and especially local levels have to spend on the agricultural credit programs, those programs which FmHA was originally established to address.

In fiscal year 1983, FmHA's Rural Housing Insurance Fund, spent mainly on the various housing programs, had a reimbursement for losses exceeding $1.1 billion. The Rural Development Insurance Fund, spent on alcohol production, community facility, and water and waste disposal loans, had a reimbursement for losses exceeding $336 million.

At the same time, the Agricultural Credit Insurance Fund, which funds farm ownership and operating loans, which should be the backbone of all FmHA funding, had a reimbursement for losses of only $682 million. This includes funding for soil and water loans, Indian land acquisition loans, recreation loans, and others.

Our point is simple: Farmers could be aided much more if FmHA did not have to spend so much time and money on all the nonfarm programs presently administered by FmHA.

A discussion one of our State Farm Bureau presidents had with his county FmHA personnel provides a specific example. He complained of the long periods of time farmers had to wait before hearing from FmHA about their loan applications.

The farmer pointed out that forcing a farmer to wait until mid-April to see if his operating loan would be approved was too late in the year. He was told that one of the biggest time constraints was the fact that at least 2 days each week were spent on housing loans.

We must not let this continue. The answer to aiding more farmers is not simply more money; it is better and faster servicing by FmHA personnel.

Farm bureau is pleased to support the concept of Congressman Watkins' proposal. We do, however, have two exceptions to that support.

First of all, we do not support his idea of renaming the Department of Agriculture; and, second, we feel a name similar to the Farm Finance Administration would more accurately identify the responsibilities of what Congressman Watkins has named the Farm Administration.

Mr. Chairman, farm bureau feels that by reorganizing the Farmers Home Administration, local personnel will have much more time to review farm loan applicants and to service those loans once made.

We appreciate the opportunity to testify this morning.

[The prepared statement of Ms. Thatcher appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much for your statement, and we will withhold any questions until we have heard all the witnesses.

Mr. James C. Miller of the National Grange.

STATEMENT OF JAMES C. MILLER, ASSISTANT LEGISLATIVE DIRECTOR, NATIONAL GRANGE

Mr. MILLER. Thank you, Mr. Chairman. I'll be very brief.

I'd like to associate myself with the remarks made earlier. In particular, I think there is one undeniable conclusion, and that's the fact that the Farmers Home Administration is an agency whose expectations and responsibilities have evolved over the years, yet the administrative structure of the agency has not kept pace.

Clearly, Congressman Watkins has made a significant contribution in drawing attention to this problem, and we support the bill that he has introduced, with very minor exceptions.

I think, without a doubt, separating the farm-related programs from the rural development-related programs will result in a much more streamlined and effective delivery mechanism for all of the programs in question.

Back to the original mission of Farmers Home—and my remarks are restricted simply to what Congressman Watkins terms as the Farm Administration—we think that it will result in better loan processing—better loan service, and, most importantly—most importantly—to the fundamental objective of Farmers Home, and that's getting people into farming and getting them graduated to conventional sources as soon as possible. We think that it will result in better loan supervision.

We hear a lot of talk about farmers going out of business because they are poor managers. It could well be that their management abilities are not; they may not even be substandard; maybe they simply need to be refined, honed to a certain degree, or perhaps help given where their strengths are; and I think better loan supervision and a Farm Administration with the ability to concentrate on producted-related programs would make a significant contribution.

It's not going to solve all the problems with Farmers Home Administration. I think that we would make the recommendation that, in anticipation of this bill becoming law, that some effective means of transition to the Farm Administration and the Rural Development Administration be provided so that hasty staffing decisions are not made.

If anything has become apparent in the last few years, given the economic condition of agriculture, it is that there is a heavy backload of work in these county Farmers Home offices.

There is an anticipated workload that probably will not diminish in the near future, so staffing decisions cannot be made on the basis of what these county offices are already doing. We need to make staffing and funding decisions based on what they need to do and what they need to do better.

The Grange also does not support changing the name of Agriculture, basically because of the possibility that it could detract from the fundamental changes embodied in the bill, and the proposed name of the Department still would not reflect the true, all-encompassing nature of the existing USDA.

The Grange would also suggest that this committee, and Congressman Watkins, and Congress in general consider possibly taking a look at these county committees and how those selections of county committees are made.

Our policies suggest that county committees be elected similar to those of ASCS. We think that if the Farmers Home committees were elected by the people who they are charged with serving, there would be a fundamental and more realistic, I think, belief that their interests are represented, and perhaps there would be the ability to suspend the disbelief that the Farmers Home Administration is in fact out there to serve the people that the legislation charges them to do.

Thank you very much. We appreciate the opportunity to support the bill.

[The prepared statement of Mr. Miller appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Miller, and we will, as I have announced already, withhold asking you any questions until we have heard all.

The next and final witness is Mr. David Senter of the American Agriculture Movement.

Mr. Senter.

STATEMENT OF DAVID SENTER, NATIONAL DIRECTOR, AMERICAN AGRICULTURE MOVEMENT, INC.

Mr. SENTER. Thank you, Mr. Chairman.

I appreciate the opportunity to appear before the subcommittee for the American Agriculture Movement in support of H.R. 5024.

The agriculture situation in the United States continues to deteriorate. Even with lower prices for production, higher prices for inputs, and continued high cost for money that we must borrow, many producers were able to get by the last few years from appreciated value of land. Now that has stopped, and even reversed in many areas, and land values are being lowered by all of the different lending agencies. Foreclosures, for sales, depressed prices, and higher costs all continue.

You know, Mr. Chairman, I feel like I have to give an example of one of the situations that I came across in Kansas last week at one of the meetings, which I feel like is a failure of Farmers Home Administration to be responsive to the producers.

The 70-year-old farmer that was involved in a farming operation—he and his sister. He had produced 50 crops, and he received a letter from Farmers Home Administration that he was inefficient and that they were foreclosing on him and taking his farm and his home. And all he has ever done in his life is farm, 50 years. And a person does not become inefficient after 50 years of farming.

So in my opinion, this legislation goes a long way toward a better delivery of the programs to those that it's intended to serve. Anything that will improve this delivery will benefit the farmers. Anything that helps the towns in rural America that we trade and do business in will also help producers.

Ever since the American Agriculture Movement motored into Washington, there hasn't been much doubt about the positions we have taken on agriculture issues.

It's a pleasure to appear at the table with other farm organizations all for a common goal again, and we look forward to working very hard to see that this legislation becomes reality, because we all know that, unified, we have a lot better chance of winning.

Mr. Chairman, the strongest criticism on policy of trying to help the farmers comes from the very people who are charged with the responsibility of helping those farmers.

Out in rural America, we talk about the fox being in the henhouse, and I think this is a classic example that I just talked about a few minutes ago, and I like the quote that Ward Sinclair had in the Post in a recent article when he said, "Maybe no Government program should be administered by a nonbeliever."

We feel like we have a lot of nonbelievers administering our programs that Congress and these committees are passing, particularly when you have to go into court to force the Secretary of Agriculture to implement programs that were passed and funded by Congress.

We feel like enactment of H.R. 5024 takes a step toward giving farmers the recognition that we need. The farmers will be dealing with a Farm Administration devoted exclusively to our needs, and, for the first time, the Rural Development Administration will deal with the programs for cities and towns in rural America.

We believe very strongly that rural communities are in partnership with producers. We also feel like, with your help, that we have to have a three-way partnership, and to include Government in this partnership.

We feel like this subcommittee and the full Agriculture Committee, many times underestimates the regard in which you are held by your colleagues. We believe that if you draft a bill based on sound principles, that your colleagues on the floor and others will support that legislation and will adopt it.

We believe that changes outlined in H.R. 5024 and possibly even some additional changes can be passed into law by this Congress.

The key things that we looked at are, it doesn't cost any more money, and it doesn't add any new programs; it merely provides for a better delivery of services, which we desperately need.

We encourage this committee's prompt action and positive action on this legislation and stand ready to assist you in any way in passage of this bill.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Senter appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Senter, for your statement.

We appreciate the fact that all of you are here, and it represents an interest in what this subcommittee is trying to do in conducting these hearings.

Now I yield to Mr. English for 5 minutes for any questions that he might have to ask the panel.

Mr. ENGLISH. Thank you very much, Mr. Chairman.

I, too, think this is an interesting concept and one that is worth careful consideration.

I particularly like the idea of separating nonfarm programs out from farm programs. I think that that is helpful, but I'm also concerned with the fact that this bill seems to elevate nonfarm programs up as far as priority is concerned and, as far as the name implies, equal to the farm program.

I think we all recognize, next year we are going to be working with very limited resources. Certainly we are not going to have $20 to $30 billion to spend next year on a farm program. I think there are going to be cuts in agriculture the same as there are going to be cuts everywhere else to deal with the deficit.

I think that what the Department of Agriculture is going to be left with, and what this committee is going to be left with as far as authorization authority and money to spend, is going to be extremely limited.

I question the idea under those circumstances and at this time of elevating a concept of nonfarm programs up to the level of farm programs, and I would like to ask each of the members of the panel whether they have any similar concerns or whether they would be willing to elevate those nonfarm programs up to that level, and begin with Ms. Thatcher.

Ms. **Thatcher**. Mr. English, I don't know if we really consider it as elevating nonfarm programs up.

From what I can tell, our members feel that the folks who go in for most of the housing programs or the specialty programs, be it water and waste disposal or whatever, we will get better servicing at the district level and that the farm folks will get better servicing on their farm loans at the county level.

Mr. **English**. But is it not true, Ms. Thatcher, that we are even changing the name of the Department of Agriculture to the Department of Agriculture and Rural Development, and those programs would go under that section known as rural development? So the mere change in the name implies that type of elevation and equality, does it not?

Ms. **Thatcher**. That's part of the bill that we said we had an exception to, and unless I misheard some of the other folks here, they also said they had the same problem with it.

Mr. **English**. But the purpose is to elevate it to that level by the simple implication of the name, is it not?

Ms. **Thatcher**. I don't think we view it that way.

Mr. **English**. OK. Would you oppose then any elevation of that degree?

Ms. **Thatcher**. If that's your understanding of it, yes.

Mr. **English**. In other words, you would oppose equating the nonfarm programs with farm programs?

Ms. **Thatcher**. Correct.

Mr. **English**. You would prioritize the farm programs?

Ms. **Thatcher**. Correct.

Mr. **English**. Mr. Sacia.

Mr. **Sacia**. Mr. English, I really don't believe that the Farmers Union would be opposed to elevating of the rural development sectors of this.

The problem that we do have is, we think it might be a hindrance as far as passage of this bill, but we are not going to make a big thing out of it. In fact, I believe it is the intent of Mr. Watkins to formulate a coalition to some degree to give us a little bit more political clout, and I think we would be in agreement with that.

Our only concern is that we get this legislation passed.

Mr. **English**. So as far as the Farmers Union position, the Farmers Union is not opposed to elevating nonfarm programs within the Department of Agriculture, as far as priority is concerned, up to and equal to the farm programs.

Mr. **Sacia**. That's correct.

Mr. **English**. All right. Mr. Miller.

Mr. **Miller**. Congressman, it might be possible to perceive elevating the nonfarm programs to the level as you are describing that.

Let me suggest that you view it from this angle, that if additional needs were seen in the country, and new programs were deemed to be necessary that you would call nonfarm programs, would it not then be clear—and I ask this rhetorically—where those nonfarm programs might be assigned? It is that objective that we see as being of benefit to this bill.

From now on, assuming adoption of this bill, any nonfarm program would have a home.

Mr. **English**. The point I was making, Mr. Miller, is that we have got limited resources next year, and if indeed we are going to elevate nonfarm programs prioritywise equal to the farm program, then obviously that means that there will be less in the way of resources to assist on farm ownership loans, as far as our operating loans, and others, within the Department of Agriculture, as far as their funding in general is concerned.

Mr. **Miller**. I understand your point.

Mr. **English**. The point that I am making is trying to determine whether or not your organization favors that type of equating, or do you believe that we should prioritize the farm ownership and farm operating loans?

Mr. **Miller**. Congressman, there is no question, our organization is wholly committed to the farm programs, and particularly those farm programs, traditionally farm-related programs, within Farmers Home Administration right now.

Our interests are seeing to it that farmers remain on the land and remain a healthy, viable part of the economy, and in so doing——

Mr. **English**. Therefore you would oppose equating——

Mr. **Miller**. I would agree.

Mr. **English**. OK. Mr. Senter.

Mr. **Senter**. Mr. English, we support producer programs being at the top of the list, because we feel like a good farm program that is funded right is the best rural development package you can have, because when farmers get those dollars, they are going to spend the dollar they have got and borrow another and go to town to spend it for something.

So we feel like producer programs have got to have priority, and we support all of the different rural development efforts wholeheartedly, but we feel like the producer programs have to have priority.

Our people have been concerned that it has been called the Department of Agriculture, and they hadn't been feeling like they had been treated that way.

Mr. **English**. Good point. So you would oppose any type of equating as well?

Mr. **Senter**. Yes.

Mr. **English**. Mr. Chairman, I ask unanimous consent for 2 additional minutes.

Mr. **Jones** of Tennessee. Yes.

Mr. **English**. I would ask then each of the farm organizations, do you oppose the changing of the name of the Department of Agriculture?

Ms. Thatcher.

Ms. **Thatcher**. Yes, the Farm Bureau opposes a name change.

Mr. **English**. Mr. Sacia.

Mr. **Sacia**. Yes.

Mr. **English**. Mr. Miller.

Mr. MILLER. Yes.

Mr. ENGLISH. Mr. Senter.

Mr. SENTER. Yes.

Mr. ENGLISH. Thank you very much, Mr. Chairman.

Mr. JONES of Tennessee. Thank you, Mr. English.

Mr. Watkins, we are going to permit you the same privilege as we do a subcommittee member, if you have a question you would like to direct to the witnesses.

Mr. WATKINS. Yes; thank you.

Let me say that being on the appropriating committee of agriculture, I know that just changing the level of administration doesn't mean that that is going to change the dollars or the priorities.

Agriculture is going to continue to be No. 1; it is going to be the priority; but when two-thirds of your farm income comes from other than farming, we have got to build the infrastructure in our small communities so that we have industrial land developed, business and industrial loans, the water and sewers. We have got to strengthen that so our people don't have to drive as far to a job.

If we do not do that for the rural development programs, they will go under probably Housing and Urban Development one of these years, and that's one of the reasons why I think that in putting the name change there—and I realize some of our agriculture groups oppose that—I don't know if that's the wisest thing, but I would feel very free to pursue that along the way in the bill, except if we do not trust our country cousins, can we trust the city cousins to look after our interests in rural America?

That's the purpose of the additional name change. It's no way, shape, or form—I majored in agriculture in college; my background is agriculture; I feel very strong about it as a former State president of the Oklahoma Future Farmers of America. No way would I see that we would prioritize the rural development any higher than agriculture, but be able to put in position to have a clear-cut responsibility to do that.

Do you think there needs to be a stronger emphasis on rural development than we have had in the past, Ms. Thatcher?

Ms. THATCHER. I guess it gets back a little bit to Mr. English's question, too.

I want to come at it from another way and then get to your question, and that is, our members feel this would be prioritizing farm loans versus prioritizing rural development loans, because what a lot of our farmers——

Mr. WATKINS. Could you tell me how they reached that conclusion?

Ms. THATCHER. Because a lot of them, when they go into their county office and they try to visit about their farm loans, they will find the county guy out doing one of his four or five inspections on one of the section 502 housing projects.

Mr. WATKINS. This would separate them, wouldn't it? My bill would separate them.

Ms. THATCHER. Yes.

Mr. WATKINS. It wouldn't prioritize them; it would put them separate.

Ms. THATCHER. Correct, and so they feel that there would be more time at the county level for actually servicing those farm loans. Other times, too, I think that they go in and they find—you take in a water and waste disposal loan, and a county staff member does not get enough of those in a year that he is familiar enough with the form; he cannot understand it, and obviously he spends a lot more time on that.

Mr. WATKINS. My bill would separate that, so it would give our farm people a lot more time for their priority.

Ms. THATCHER. Correct.

Mr. WATKINS. You are not wanting to deny the rural people out there the possibility of getting loans for the water, sewer, and the industrial development loans, and things like that, are you, that have some priority?

Ms. THATCHER. No; definitely not, because they would be able to get better servicing on that at the district level by someone who can specialize in that type of a loan.

Mr. WATKINS. But basically you are just disagreeing with the name change; is that all you are disagreeing——

Ms. THATCHER. Correct, yes.

Mr. WATKINS. Could you tell me why?

Ms. THATCHER. We just feel the Department of Agriculture—that agriculture is the priority there in the Department, not rural development, and when you think of the other things that they go through there—the soil and water loans, the other ASCS programs, as someone alluded to, I'm not sure agriculture and rural development covers everything that is done within USDA.

Mr. WATKINS. Does Housing and Urban Development cover everything there?

Ms. THATCHER. No.

Mr. WATKINS. No; but we still want to elevate our rural people up to be recognized on a Cabinet level with the urban people. Is that the position of the Farm Bureau?

Ms. THATCHER. The position is just, we feel the Department of Agriculture should remain the Department of Agriculture.

Mr. WATKINS. Yes; I'm very, very strong on agriculture myself. I cannot believe that you wouldn't want the rural people to be elevated to be able to be considered at the same level as urban people.

Mr. Chairman, that's all I have.

Mr. JONES of Tennessee. Thank you, Mr. Watkins.

I have one question that I'd like to discuss with the entire panel for just a moment.

I'm wondering if each of you—and I'm sure that you have—have seen this recent report of the "Rural Communities and the American Farm: A Partnership for Progress" that the Department of Agriculture issued on April 13, signed by the Secretary, on rural development. It's the Office of Rural Development Policy.

If you have not seen that, I hope that you will.

My question to you is, do you feel that the establishment of this office known as the Office of Rural Development Policy, back in 1981—do you feel, or can you cite any achievements that have been made as a result of the establishment of this office? I'm willing to take an answer from any of you.

Mr. SACIA. That may be our answer, Mr. Chairman.

Mr. JONES of Tennessee. Sorry?

Mr. **Sacia**. The National Farmers Union believes that there hasn't been too much constructive that has come out of that.

Mr. **Jones** of Tennessee. Would you speak into the mike, please?

Mr. **Sacia**. We don't believe that too much constructive work has come out of that body, and we are a little bit disappointed. They continue to paint a very rosy picture, and we just don't see it out there.

Mr. **Jones** of Tennessee. Anyone else?

I'll answer for this subcommittee, if you don't want to answer.

I don't know why you are here today if that's the answer you are going to give us, but this subcommittee has been very, very disturbed about what the Department of Agriculture has done as far as rural development is concerned.

It is our oversight responsibility to see that something is done in rural development, and we feel that the Department has been really derelict in the responsibilities that they have accepted there, and I would ask all of you to get a copy of this report and take a look at it.

Any other questions?

Mr. English.

Mr. **English**. Mr. Chairman, again I would like to say, as far as our witnesses are concerned, that the reason I pursued the line of questioning I did, and the thing that disturbs me a great deal, as I mentioned, is the budget problem that we are going to be running into next year and, of course, that gets into the question of authorization level, of what is going to be authorized.

Also, I am well aware that with regard to any administration, whether it is this administration or if there is a Democratic administration as far as the next farm bill is concerned, the agriculture budget of the Department of Agriculture is looked at as agriculture. We all recognize that 60 percent of that budget goes to food delivery services.

I suppose if the Department were going to be known from a budget standpoint, it would be the Food Delivery Department instead of the Department of Agriculture, and I think Mr. Senter hit it square on the head. We have seen this watering down, this deemphasis of agriculture that has been taking place over a long period of time.

We recognize that, from a political standpoint over the years, generally these food delivery services have been seen as being necessary to passing a farm bill simply because you do bring in the urban folks, and they do have a stake in it and have an interest in it.

But again, I'm extremely concerned that from a budget standpoint, both from whatever administration we may be looking at in the future, wherever you end up, you look at that bottom line, that bottom figure. That's what they are looking at; that's what the Department of Agriculture is charged with; and when it comes into view as far as the public is concerned, they are not going to say, well, so much of it was spent for food delivery, and so much of it was spent for nonagriculture items and so much for agriculture; it is going to be all landing on the head, square on the head, of agriculture; it's going to land square on the head as far as imagewise.

Let's keep in mind that images, unfortunately, have an awful lot to do with the people's perception. Imagewise, that is going to be looked at as the agriculture program.

So I think that we have got to recognize that we are likely to have to make some very tough choices next year and the years to come. We are going to have to attempt to try to prioritize, and I think that is going to be true for the agriculture organizations as well as the committee.

None of us like to do that; none of us want to do that, but I think we are going to have to make choices, and that's the reason I'm a little bit concerned about at least the perception that this bill delivers, that it is one of shifting priorities, and I'm not sure that we want to do that unless we consciously make a decision to do that.

If we want to consciously do that, then I think we ought to debate that and argue the wisdom of going that direction, but I think that's where we are moving.

Mr. SENTER. Mr. English, may I make a comment?

Mr. ENGLISH. Sure.

Mr. SENTER. We are really not concerned about what the Department is called or what it is named. What we are concerned about is getting a better delivery of services, of programs that are passed by Congress and sent down there. That's where the failure is.

In my view, this is a division so that you can kind of shoot with a rifle instead of taking a shotgun, so to speak, in getting these specific programs out, and we hope that we don't get tied up in argument over changing the name or what-have-you.

What we are looking at is what is contained in the bill, and that's what we want to see enacted, regardless of what we call it.

We just feel like we have to make those changes, and no longer can things be left to the discretion of the Secretary. We are going to have to have time guidelines. It is going to have to have to be "shall" instead of "may." These programs are going to have to be dictated by Congress, because they have proved they are not going to carry them out.

Mr. ENGLISH. I think that is a good point, Mr. Senter, and, as I mentioned earlier, I have no problem with the concept of separating out nonfarm programs from farm programs. In fact, I think that there may be some benefit in doing that, simply from the standpoint that it makes it easier for us, if we are going to have to prioritize them, but I think that that issue of prioritizing is one that we have got to face up to. We are going to have to face up to it next year if we don't face up to it this year.

But I do think that the name change is important, and I think it is important from the standpoint because I think, regardless of whether we like it or not, it does bring about the type of equality, and I don't want to see that done unless we make a conscious decision to do it. I don't want it to just happen.

Some 3, 4, or 5 years from now, people on this committee are probably going to have a tough time remembering what we did and why we did it, and I sincerely doubt that they are going to go back and read the history or even the testimony of this hearing to try to clarify that. They are going to assume that that's what was done, and that comes about automatically, and I think that all we have to do is, as I said, to look at the food delivery service problems to see what is happening as far as that type of erosion, and the perception about the entire burden being on agriculture—the cost.

Thank you very much, Mr. Chairman.

Mr. JONES of Tennessee. Thank you, Mr. English, and thank you, panel, for being here today.

The next panel, the National Rural Development Strategy Report Comments, consists of Mr. Bill Wilson, president of Ouchita Mountain Resource Conservation and Development Council; Mr. Bill Hill, executive director of Kiamichi Economic Development District; Mr. Bob Houck, national secretary of Ruritan International; Mr. Kenneth Wilkinson, president-elect, Rural Sociological Society; Mr. David Raphael, Rural America; Mr. Robert "Randy" Isaacs, president of the National Association for Transportation Alternatives; and Ms. Peggy Wheeler, National Center for Appropriate Technology.

We are delighted that you are here today. The same rules apply to you as a panel as did to the others, and we would ask you to abide by them if at all possible, and whoever is first may announce themselves and proceed.

Mr. Wilson, are you going to be first?

Mr. WILSON. That would be fine, Mr. Chairman.

Mr. JONES of Tennessee. You are listed first. We are glad you are here.

STATEMENT OF BILL WILSON, PRESIDENT, OUACHITA MOUNTAINS RC&D COUNCIL

Mr. WILSON. As you said, I am president of Ouachita Mountains RC&D Council in eastern Oklahoma.

Mr. Chairman and members of the committee, I'd certainly like to thank you for taking time out of your busy schedule to hear me testify here today.

I am a businessman and a farmer from a small community in rural America—Kinta, OK. I have come here today to discuss with you rural development.

As you know, for several years now, we have had a Department in our Federal Government called Housing and Urban Development. We have never had one department concerned with rural development. Let's recommend the formation of ARD—Agriculture and Rural Development.

H.R. 5024, as it was introduced on March 5, 1984, calls for the administrative reorganization of some parts of the Department of Agriculture. If this concept were adopted, it would, of course, change the name of the Department of Agriculture to the Department of Agriculture and Rural Development.

I perceive that Agriculture would still be No. 1 in this department, but I think if you talk about Agriculture and Rural Development and compare it with Housing and Urban Development, HUD has put more emphasis on housing than it has urban development. The urban development has been able to provide help in subdivision work and things like that, so that we could build housing, but I think, as I will point out, that rural development will enhance agriculture, and I don't see any problem with changing the name of the Department.

I stated a while ago, we have never had one department concerned with rural development. As you know, we have had several agencies; FmHA has had a rural development program which they have not been able to administer because they simply haven't had time.

Soil Conservation Service and the RC&D program, as you know, has been struggling to stay alive in an atmosphere of antagonism from this as well as previous administrations.

What I am getting to, Mr. Chairman, is that I think we should follow the plan laid out in H.R. 5024 and reorganize the Department of Agriculture. This plan does not propose to increase the size of Government, but, rather, to streamline some of the operations within the Department and strengthen the rural development effort.

We need in our rural communities to catch up with our urban neighbors, and I think this is a good approach to achieving that goal. Rural America is the lifeblood of this country of ours. Let it be the recommendation of this committee that the Federal Government recognize this need and respond to it.

As you mentioned a while ago, the report from the ORDP entitled "Rural Communities and the American Farm: A Partnership for Progress." Rural communities and the American family farm, as we know it now, are most definitely partners for progress.

Most small family farmers work off the farm, or the wife works off the farm, to supplement the farming operation. I know this to be true because my wife and I started farming 14 years ago at Kinta, OK, and we had to obtain work off the farm to stay in business. Every neighbor I have that is near my age is in the same situation.

I am past State president of the Oklahoma Young Farmers Association and have attended several national meetings of young farmer organizations, and the young farmers I have talked to from across this country all have the same situation. The only way they can get started in farming is to have some supplemental income.

Another thing along this line is in the soil conservation effort. As you know, the administration—Mr. Block and Mr. Myers have recommended that we encourage our farmers to spend their money on conservation practices and cut the amount of appropriated money for these practices.

It simply isn't economically possible for a young farmer to do that if he is not making any money, but if he has an off-farm job and he has some extra income after the bills are paid, he is going to spend it on conservation practices, and I think this is where the partnership comes in between rural development and small family farms.

I think with more emphasis on rural development through good planning, conservation, and the development of natural resources, we can create new jobs in rural America. We can attract industry to our rural communities and, in so doing, not only provide off-farm supplemental income, but we can provide employment for our children as they move into the work force and become productive, taxpaying citizens.

As a result, our rural youth will be able to stay closer to home and make their homes, provide a healthier family environment in all America. Young families will be able to get start farming and will be setting the stage for the preservation of the family farm as we have known it in America.

I think the family farm, without some supplemental income, is certainly in danger of being caught up in this country and being lost, and I think the family farmer—the small family farmer is the backbone of this country. I think he has tilled and conserved America's farmlands; he has provided a tax base to keep our schools, our roads, our hospitals, and our national defense going.

The Bible in the first chapter of Genesis tells us that God's plan was for man to have dominion over all the plants and creatures he created on the Earth, and I believe the family farmer is who is intended to do this.

It is exactly as ORDP sees it. We do have a partnership between the American farm and our rural communities. Rural communities need the family farmer as a consumer of their goods and services, and the family farmer needs the goods and services of the rural communities.

Now I want to talk about RC&D's a little bit. In order to achieve any progress in any program, you must first have a basic grassroots organization to lead. The Federal Government can provide personnel who are expert in a given field, can provide money to fund projects, but history has shown us that the only effective vehicle by which these resources can effectively be put to use and any benefit come of them is a group of people drawn from the citizenry of this country.

RC&D's can be that group. RC&D's, where they are organized and working, have already recognized most of the needs of their respective areas and have them listed in their plans of work. Let RC&D's help put this plan into action; we can do it. Let Ouachita Mountains RC&D be a pilot project, if you like. Let us show you what we can accomplish.

While all of us connected with RC&D's may not agree with every word in H.R. 5024, the RC&D's I have had contact with agree that shifting farm programs to a farm agency and consolidating rural development programs under a rural development agency is good and long overdue.

The conservation and development of our natural resources is vital to the preservation of America. No one has done more in this field than those of us who are associated with RC&D's.

What I am saying to you today, Mr. Chairman, is that although we may not like everything Mr. Watkins is trying to do, we do know that he is trying to do something to strengthen agriculture, the RC&D's, and rural America. On that we agree, and I would ask for your support and this committee's support in this effort.

Thank you, sir.

[The prepared statement of Mr. Wilson appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Wilson. Mr. Hill, you may proceed.

STATEMENT OF BILL H. HILL, EXECUTIVE DIRECTOR, KIAMICHI ECONOMIC DEVELOPMENT DISTRICT OF OKLAHOMA

Mr. HILL. Mr. Chairman and members of the subcommittee, I am Bill H. Hill, executive director of the Kiamichi Economic Development District of Oklahoma, [KEDDO] with offices in Wilburton, OK. The Kiamichi District is composed of seven counties located in the southeastern most part of Oklahoma and is also in the Third Congressional District of Oklahoma. My Congressman is Congressman Wes Watkins.

The Kiamichi District, which is composed of and governed by local governments represented by mayors, county commissioners, and conservation districts, has as its major emphasis economic development.

The seven-county region that I represent traditionally has been characterized by dismal and quite distasteful socioeconomic statistics. Things like per capita income, outmigration, unemployment, and underemployment have been the worst in the State of Oklahoma in that area, that dating back to 1907.

This area, being rural by nature, and attempting to provide self-help, has attempted to manage and utilize existing resources for purposes of attempting to alleviate social problems now prevalent.

The citizenry has and shall continue to strive for an improved future, realizing, however, that self-sacrifice in rural America is not enough. It is felt that this particular area is not unusually unique, but, in contrast, it is uniquely representative of the plight of people living outside of urban areas.

With these thoughts in mind, I am here to encourage your consideration of H.R. 5024. It must be realized that programs for rural areas of this country must be reshaped, redefined, and aggressively pursued before we can expect to have a healthy economy nationwide.

The concern is that a system must be devised whereby a mechanism can be created to not only provide well-deserved and appropriate services to our farmers, our ranchers, and our small businesses, but also to local governmental entities that are striving to provide amenities that are not only expected but are indeed necessary for rural survival.

For instance, as an example, the Economic Development Administration—EDA—currently under the U.S. Department of Commerce, was initially conceived to be a program designed specifically for the rural areas of this country.

I have a tremendous concern that EDA, under the influence of the Department of Commerce, which already has more urban influence than initially proposed, may very well wind up catagorized under Housing and Urban Development. This designation would further, if not totally, erode what little emphasis is being provided to assist development in more rural areas.

I would propose support of H.R. 5024 in that it would address a system and potentially create a process for an agency such as EDA and others that we could name that could fit appropriately and be able to react to the real needs of a rural setting.

It must be pointed out that other Federal programs that have traditionally been designed to react to rural needs that have been piecemealed out under the influence of numerous Federal initiatives, most of which were totally indoctrinated by metropolitan mentality, do not work.

The mechanism and/or agency created by H.R. 5024 should represent a public entity recognized as the agency to provide services to the rural areas of this country. It should provide a forum for rural interests as well as to coordinate in an effective and efficient manner splintered programs now attempting to satisfy the needs of rural America.

We do not consider it inappropriate to expect public investment to help revitalize rural America. It is understood that in the absence of a healthy rural economy, the pressing problems represented by the urban masses will increase at an alarming rate.

We do expect this Congress to provide leadership and initiate programs to help solve urban problems. We also believe that it is in the national interest and a moral responsibility to devise assistance to help those so vitally deprived, as represented in our rural areas.

Simply stated, we feel that it is time for rural areas of this country and its people to be plugged into the mainstream of economic activity, individual prosperity, and provide a chance that might permit all of our people to have equal opportunity to prosper and serve our Nation.

The Department of Agriculture, as it currently exists, does not have the staff capability, defined mechanism, and specificity of purpose to accept, monitor, and implement conceived programs necessary for the reestablishment of a strong rural economy.

In closing, be pursuaded to seriously define a system to better serve the rural people of this Nation. Be encouraged to reject mediocrity by refusing to embrace programs that only at best represent a weak attempt to recreate rural America.

Do not be satisfied with a Federal delivery system that ignores the real issues, fails to provide reasonable solutions, and ignores the failure of existing programs to truly address rural problems.

I challenge you to aggressively pursue the principles set forth in H.R. 5024 in that rural Americans, like all Americans, deserve a chance.

Thank you, Mr. Chairman.

Mr. JONES of Tennessee. Thank you very much, Mr. Hill. We appreciate your statement, and we will withhold any questioning until we have finished the panel.

Mr. Bob Houck, national secretary of Ruritan National, you may proceed.

STATEMENT OF BOB HOUCK, SECRETARY, RURITAN NATIONAL

Mr. HOUCK. Thank you, Mr. Chairman and members of the panel.

I am Bob Houck of 401 Sperryville Pike in Culpeper, VA. I serve in a volunteer position as the elected secretary of Ruritan National. I am here representing that organization.

Ruritan is a civic service organization whose purpose is to create a better understanding between rural and urban people and, through volunteer community service, make their area a better place to live and work.

The slogan of Ruritan is fellowship, goodwill, and community service. Club membership represents a cross section of the community. The club serves and is composed of farmers, business, and professional men, and other concerned citizens in the community. We have 36,000 members in 1,310 clubs located primarily in the eastern half of the United States from New York to Florida and as far west as South Dakota. We are a growing organization.

Unlike most civic service organizations, Ruritan rarely has national programs. Rather, each club surveys its own community as to the needs of that community and then works to meet some of these needs.

In just one of each of the seven community service committees, Business and Professions, for example, we are concerned with agriculture, professions, industry, trades, marketing, communications, and services. Nearly all clubs work locally with FFA, 4-H, and nearly one in every three Ruritan clubs sponsor scouting.

Our many clubs provide and supervise community centers, sponsor little league and other athletic programs, and involve themselves in antilitter campaigns, help the sick and needy, and, in brief, provide a varied, wide range of activities to help their communities.

We also have a separate organization, the Ruritan National Foundation. Just last month, our foundation awarded $33,500 to 58 young men and women to further their education past high school. Most of these students are located in small towns and rural areas.

We are extremely interested in rural development and encourage the various types of development which are enumerated in the Rural Development Strategy recently submitted to Congress. I am referring to the strategy developed by the Office of Rural Development in USDA and entitled "Better Country: Strategy for Rural Development in the 1980's."

It is our firm believe that the strengthening of our rural communities is extremely important to the continued prosperity of our Nation, and, sir, I feel that this bill you are addressing today would provide some of the strengthening and needs that are needed for our rural communities.

Thank you and the committee for hearing my testimony.

Mr. JONES of Tennessee. Thank you very much, Mr. Houck.

As I have announced about the others, we will wait until we have heard all witnesses.

Dr. Kenneth Wilkinson, president-elect of the Rural Sociological Society. Dr. Wilkinson, you may proceed.

STATEMENT OF KENNETH P. WILKINSON, PROFESSOR OF RURAL SOCIOLOGY, PENNSYLVANIA STATE UNIVERSITY

Mr. WILKINSON. Thank you.

I'm an advocate for a national strategy of rural development. I want to speak about that.

My comments are written and are available to you. I will simply summarize them at this time.

Mr. **Jones** of Tennessee. Very good. Your entire statement will be made a part of the record.

Mr. **Wilkinson**. Thank you.

In my opinion, the work of the Office of Rural Development Policy has made a most important start but a very tentative start towards what needs to be done in developing a national strategy for rural development.

I was most pleased to see changes in emphasis since the first report about our country and look forward to further changes in the future.

My comments focus on four crucial problems in rural America that I think should be focuses of a national strategy. These are problems of inadequate jobs and income, inadequate services, problems of inequality among rural citizens, and, most seriously in my opinion, a demise of the strength of the rural community.

JOBS

The rural economy is most unstable. This can be seen very clearly in agriculture, the mainstay of rural life for many years. A sound agriculture, continuation of the family farm, strength of rural communities, depend, it seems to me, on off-farm employment opportunities, given the tendency for most farm families to depend heavily on off-farm employment.

Manufacturing, which now employs more rural workers than any other industry, is also subject to great variation through time in its stability. We are in a period of depressed economic conditions in many of our rural areas because of the decline in the expansion of manufacturing and employment.

As manufacturing jobs declined in the Northeast and Great Lakes areas, where they have been heavily concentrated in the past, many young rural families moved west for the energy boom. They got there about the time the energy boom became an energy bust. The question is, where do they go now?

Areas of the country that depend on mineral industries also are subject to great cycles, great changes, and instabilities. We need a diversified world economy. Diversity is the chief guard against the instabilities in any one of the industries that rural people depend upon for their livelihood.

Services are inadequate in most rural communities, most small towns, and rural areas. A combination of three factors accounts for this, in my opinion. Distance increases the cost of providing services. Low population density reduces the probability that services will be offered near people, and poverty or depressed economic conditions in many rural areas reduce the possibility that local people will provide their own services.

Equality is a problem in rural America. The most depressed conditions among the major minority groupings in this country, among black citizens, among persons of Spanish heritage, among Native Americans, are found not in the cities but in rural areas. The evidence is very clear of that, and these problems are hidden.

COMMUNITY

The diversity of rural communities today, the importance of special interest in community affairs, the magnitude of the problems faced by rural communities seriously reduce the probability that rural communities themselves will be able to solve the problems that they face.

It is a fact of life in the rural areas of modern society that the basic rural problems had their roots not in the local area but in the larger society.

The economic problems, the problems of service delivery, the problems of inequality are national problems. Therefore, it is my view that the Federal Government must take the leadership in rural development, a strong, assertive leadership that is the focus of written remarks that I will not elaborate upon at this time.

Thank you.

[The prepared statement of Mr. Wilkinson appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Dr. Wilkinson, for a very good statement, and I look forward to reading your entire statement.

Mr. David Raphael, representing Rural America. Mr. Raphael?

STATEMENT OF DAVID RAPHAEL, EXECUTIVE DIRECTOR, RURAL AMERICA

Mr. RAPHAEL. Thank you. My name is David Raphael. I am the executive director of Rural America, a national membership organization representing the interests of small towns and rural people.

I have been asked to focus our remarks, and the written testimony we have submitted really has to do with the rural development strategy report, but if there is time and interest of the subcommittee, I'd be happy to talk about H.R. 5024, the Rural Development Reorganization Act.

We have reviewed the policy statement and have spoken with members of the Office of Rural Development Policy staff and, like other members who have spoken this morning, find a good deal to be cheered about, particularly concerned about the overall tone of the document. It is much more positive, particularly when contrasted with last year's report entitled "Better Country," which put forward a strongly antigovernment philosophy, we felt, and really disregarded many of the important Government contributions to improving rural life.

There are several specific positive features that I wanted to mention in the report—this year's report itself, and particularly the overall emphasis on a partnership between the farm sector and nonfarm rural sectors.

I think this is an important contribution. There is a partnership, but, even more than that, it helps to set the framework for the kind of holistic approach to the problems of rural America that are needed, and we have welcomed that.

We find it unfortunate and sad that that partnership appears to head in really one direction, focusing on the nonfarm income of so many farm families. We think a much stronger statement ought to have been set at the outset about a commitment to farm income, and particularly boosting farm income for small farm operators, so that they are not forced off into second and often third jobs in town simply to survive.

Additionally, we are heartened by the proposal to analyze farm policies within USDA in terms of their impact on the rural economy in rural areas. We think this is long overdue, very needed, and could well be extended to the whole activity of the Federal Government.

Finally, we applaud the proposal for a study—a survey by the REA of the impact of telephone deregulation in rural areas, and I'll get to it in a moment. We think this is an area of increasing concern to people in rural America, and we are pleased to see that proposal.

But I would remind the committee that the administration took a strong and active role in supporting the original SEC decision to impose access charges on interstate calls, and so it would be well worthwhile to attempt to insure that the study is both objective and includes the voices of many rural phone users throughout rural America—the elderly, farm groups, and others, in addition to the industry representatives that would be included in that study.

At the same time, we are also concerned about some of the deficiencies in the report itself and some of the misleading conclusions that people are led to, and it is perhaps understandable in an election year, but the report strikes us as much too sanguine about the trends in rural America.

We have assembled a few specific indicators which are included in my written comments that things are not as rosy, and I'd urge you to take a look at those.

First, the latest word from the Census Bureau is that nonmetropolitan areas are no longer growing more rapidly than metro areas, as was the case during the 1970's.

During the 1970's, there were some 900 nonmetropolitan counties that did indeed experience a population turnaround, and they began to grow after having experienced a population decline during the previous decade. Now and in the early years of this decade, one-third of those counties have stopped growing, and another third are exhibiting slower growth than before.

Second, employment in nonmetropolitan areas has not been growing as rapidly as the total population. Between 1980 and 1983, nonmetropolitan employment grew at a rate less than half of that for urban areas.

Unemployment, as you are well aware, is up substantially in both rural and urban areas during this period, but the figures show that it is up a great deal more in non-metropolitan areas than in metro areas.

The average adjusted unemployment rate for 1983, for example, was 13.1 percent in metro areas and 14.9 percent in nonmetro areas. This means that the number of jobless in rural areas rose by nearly 46.5 percent between 1980 and 1983, with a corresponding increase of 42.7 percent in metro areas.

This, I might point out, is a very different picture than the one presented on page 9 of the strategy report, which relies on a very selective use of unemployment statistics to claim that the recovery is proceeding more rapidly in rural areas.

Third, the poverty rate, which is currently at the highest point since the mid-1960's, continues to be higher in nonmetro areas than in metro areas, and the non-metro increase between 1980 and 1982 was greater than the metro increase.

The most recent figures from the Census Bureau put the incidence of poverty in nonmetro areas at 17.8 percent. In other words, in 1982 there were nearly 2 million people in rural areas living below the poverty line than there were in 1980.

Finally, no amount of gloss over farm income figures can hide the fact that family farmers and our agricultural economy is facing an emergency of Depression era proportions and that the very survival of our diversified family farm system of agriculture is at stake.

Net farm income fell by 11 percent from 1980 to 1982, reaching the lowest level in nearly 50 years. The decline was most severe for farms at the lower end of the spectrum. For farms with sales of $100,000 or more, for example, the decline in net farm income was only 6 percent, roughly half of the overall totals.

Many of our members and others around the country are coming to the conclusion that rural America is under attack. In this instance, the enemy is not a person or a group but a concept and a slogan. The concept is deregulation.

Under the banner of "increased competition," a variety of proposals are being put forward to decontrol portions of major industries and publicly regulated utilities. Deregulation has already had a major impact on the airline, railroad, and trucking industries, inner city bus transportation, and local telephone services. Pending legislative proposals call for extending the concept into banking, natural gas, and other fields.

In all instances, rural people and rural communities have a vital interest at stake, and in many cases it is already clear that these rural interests are being adversely affected.

It is important, and it unfortunately does not come through in the policy statement, I think, to look at the expenditures of the Federal Government in the Federal budget, and the partial budget data submitted along with this year's report follows the same format utilized last year and is equally confusing and misleading.

The impression is given that Federal budgetary decisions reflect the commitment to rural equity and development that are outlined in the report. The facts are different, however.

Although the President's proposed 1985 budget dropped a number of more drastic cutbacks proposed in prior years, significant reductions in Federal assistance to rural areas are still being recommended.

Termination is again proposed for four programs of particular importance to smaller rural communities—the Economic Development Administration, Community Services Block Grant Program, local rail service assistance, and the legal services program.

Our analysis—and we have put together a list of roughly 20 programs of significant importance to rural areas and rural communities—is that in the period from 1981 through 1984, roughly 15 percent of the resources have been reduced for those areas, and the 1985 budget would call for an additional 15 percent reduction.

In closing, Mr. Chairman, let me urge you to consider that rural America needs a real strategy, not simply a paper exercise. This means a strategy that supports and preserves family farm agriculture, rather than relying on off-farm income to mask the continuing concentration in agriculture.

It means a strategy that aims at basic structural reforms in our farm programs, where half of the assistance payments currently go to about 15 percent of the producers, and in our tax and credit policies as well. It also means a strategy that supports economic development that is community-based and community-controlled rather than one that encourages continued dependency and colonial status.

This means that instead of enterprise zones with their tax breaks and regulatory abandonment designed to bribe big corporations into branch plant placement, what is needed is development of rural America's own economic base, development of its human capital through more and better education and training programs, and more adequate healthcare facilities, redevelopment of its infrastructure, and credit for local enterprise, rather than absentee ownership.

We believe that rural America can have a future that preserves the best of its past and allows people to enjoy the traditional advantages of small-scale community without having to sacrifice a decent income and a good standard of living.

But rural America won't have that future if we let our policies be dictated by a skewed market mechanism that looks only at cashflow rather than people, that relies on a corporate bookkeeping approach rather than a community balance sheet, and that reflects as its most consistent principle that them that has gets.

A rural development strategy that reflects the goals we want won't just happen; it has to be developed democratically and in the real spirit of the 1980 legislation. It is past time to get started on that process.

Thank you very much.

[The prepared statement of Mr. Raphael appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Raphael, for a very good statement, and I look forward to taking a good look at your statement sometime when we have more time than today.

It looks like we may have a quorum call.

We may have to forego the other two witnesses for a few moments. The House has been in recess to hear the President of Mexico, and I do not know what the situation is right now. We will hold for just a moment.

Mr. WATKINS. With the chairman and members' permission, Mr. Hill made a statement that I reflected on, where you brought out the fact that EDA was being phased out, as has been proposed by this administration, and that the administration proposed that EDA go to the Department of Agriculture.

I think you indicated that right now there is really not an office there for EDA, if it came to the Department of Agriculture, to be implemented from, because Farm Home cannot—with its complications and all, could not do it, so the Rural Development Administration office would be a logical place that, say, EDA could come to.

Mr. **Hill**. I would agree.

Mr. **Watkins**. It's an excellent point.

Mr. **Hill**. We simply must concern ourselves with the fact that, with what little that we have got to go on now in terms of legislation and appropriations to deal with the problems of rural America, if we don't devise some kind of legislative framework in which to place those meager resources—for instance, setting up an agriculture and rural development level entity that can accept EDA-type resources as well as other, hopefully, resources that can come down the pike, we are going to be in a real mess in terms of finding a responsible public entity that will really begin to focus with any degree of intensity on the problems of rural America.

I have a tremendous concern that we are going to take what little we have, if we don't do something in terms of reacting to the needs of rural America, and sticking those programs into metropolitan influence programs that not only are not designed to handle that kind of situation but won't really have the conviction that there is a problem out there. Mr. Congressman, I have a tremendous concern about that.

I would also like to mention, if I could, further, that the earlier concerns about the rural development segment being tied to the Department of Agriculture—for the life of me, that's not a concern that I could have.

I would hope that that would be a procedure where there could be enough of us stand together for significant appropriations to begin to take care of the rural needs of this country, instead of splintering us out to the point where we have no kind of block political system behind us to help us through the cycle of appropriations for purposes of reacting to those needs.

Mr. **Watkins**. Thank you, Mr. Chairman.

Mr. **Jones** of Tennessee. Thank you, Mr. Watkins.

The House is still in recess, so we can go ahead and proceed with our witnesses; there is not a vote on.

Mr. Randy Isaacs, president of the National Association for Transportation Alternatives.

Mr. Isaacs, you may proceed.

STATEMENT OF RANDY ISAACS, PRESIDENT, NATIONAL ASSOCIATION FOR TRANSPORTATION ALTERNATIVES

Mr. **Isaacs**. Mr. Chairman and members of the committee, Mr. Watkins, my name is Randy Isaacs. I am the transportation director for the Mid-Cumberland Human Resources Agency in Middle Tennessee. I'm also vice president of the Tennessee Association for Special Transportation and president of the National Association for Transportation Alternatives, which is a relatively new organization of rural, small, and specialized transportation operators.

I want to talk to you about a specific area that we think is given insufficient attention by the Rural Development Strategy Report, and that is rural transportation, and particularly rural public transportation.

My remarks are especially appropriate as it is currently National Transportation Week in the Nation.

The report does note the importance of transportation to rural America in traversing its long distances, bringing its agricultural and other products to market, and connecting its residents with such basic services as schools and healthcare, but most of the attention given to the subject is focused on roads and bridges. The report says—and I quote—"Public transit systems are rural rarities."

That statement reflects either a too-rigid definition of public transit as large-scale, fixed-route, and fixed-schedule systems, or a lack of awareness of what has been happening in rural transportation over the past few years.

There are nearly 1,000 transportation operators currently receiving assistance under the Federal Government's section 18 program, which helps to underwrite public transportation outside of urbanized areas.

There are another 2,000 to 3,000 agencies operating in rural areas to furnish transportation to special client groups such as the elderly, the handicapped, and medicaid beneficiaries.

Our association, which is open to small operators in both rural and urban areas, estimates our potential membership at more than 5,000 systems.

We may not have subways or articulated buses, and we may not get the job done in ways that are similar to the conventional conception of mass transit, but rural public transit systems are no longer rarities.

Mind you, I will readily admit that those of us in rural transportation are playing catch-up, especially when it comes to the recognition of our counterparts in the urban areas.

Federal aid for transit began with passage of the Urban Mass Transportation Act of 1964, but a full decade before the DOT took official notice of rural transportation, not that the need wasn't there all along.

With less than one-fourth of the Nation's households, nonmetropolitan areas, as defined in 1980, have 29 percent of the elderly and 30 percent of the poverty population, two groups that are widely recognized as being transportation-dependent. Indeed, census figures indicate that one out of every seven rural elderly has a health problem that presents special transportation needs, and despite the widespread dependency in rural areas on automobile travel, one-fourth of nonmetro households with income under $10,000 and almost 40 percent of those with incomes under $5,000 have no access to an automobile.

Nonmetro areas account for more than one-fifth of the commuting workforce, and four out of five of those rural workers report that they are dependent on automobile travel to their workplaces because there is no public transportation available for that assistance. The comparable figure for metro areas is only 35 percent.

Back in the late 1960's while transportation agencies of the State and Federal Government were still looking at only urbanized centers, social service delivery agencies in rural America were painfully aware of the transportation needs of their constituencies, and they began to demonstrate innovative ways of meeting those needs, especially with what came to be dubbed as demand responsive and paratransit service. Those specialized operators became the base on which today's rural transportation network was built and continues to be built.

My own agency is probably a fairly typical example. We began operating in 1974 in 12 counties with 12 vans, funded by the Older Americans Act and primarily serving persons aged 60 and over. In that year, we provided less than 90,000 trips for our constituency. Today, we have 28 vehicles in those same counties and a yearly ridership of over 240,000 trips.

We made the transition from a specialized provider to a general public transportation system in 1980, with additional funding from section 18 of the Urban Mass Transportation Act of 1964.

A key role in our evolution has been a succession of Federal programs. The first specific transportation assistance that became available was in the form of matching funds for acquiring vehicles to use in serving the elderly and handicapped.

This program, authorized by section 16(b)(2) of the Urban Mass Transportation Act, assists nonprofit agencies in both urban and rural areas. As awareness of rural needs increased, and along with it the pressure to respond to those needs, Congress enacted a rural transit demonstration program in 1973, and in 5 years, building on that demonstration experience, they developed the section 18 program, a general, continuing formula grant program for public transportation outside urbanized areas, similar in concept if not in magnitude to the long-standing urban support program, and, still more recently, the 1982 Surface Transportation Assistance Act established a percentage setaside for this nonurbanized program, giving it an assured funding level relative to the urban program.

The current size of the section 18 appropriation is $70 million. This compares with $2.3 billion in formula grant funding for urbanized areas. In addition to the formula funding, Federal transportation assistance includes $1.2 billion in discretionary capital grants financed out of the 1-cent-per-gallon of the Federal motor fuel taxes.

I would point out that rural people pay more than their per capita share of motor fuel taxes, but they get a very small share of those discretionary grants. They receive possibly $15 million in the section 16(b)(2) capital program funding and a distinctly smaller amount from the rest of that funding. In all, we calculate that nonurbanized areas get less than 2.5 percent of Federal transit assistance.

Federal funding is probably just under half of the total public subsidies to transit. State and local governments put an equal amount, and perhaps a shade more, in the programs.

Survey data reported by the American Association of State Highway and Transportation Officials indicate that nonurbanized areas don't get more than 5 percent of that State and local funding, and it should be stressed that State and local governments vary widely in terms of their ability and willingness to support rural transportation.

While some States have established regular, dedicated funding for rural transportation, operators in other States may not be so lucky.

As you can imagine, it is often the case that an agency in an area of extreme need for transportation has the hardest time finding the local sources of funding which make the project viable and/or constitute the required match for Federal assistance.

For the average rural operator, it is a matter of putting together a shifting combination of financial resources, and with this process, because of the headache of many complex recordkeeping and billing requirements, the present administrator of the Urban Mass Transportation Administration has said—and I quote—"I don't think that there is a more imaginative, creative, and productive group of transit operators than we have in the nonurbanized programs."

Believe me, that is generally the only way you can make it happen.

So we are making progress, but we in the National Association for Transportation Alternatives know that we still have our work cut out for us.

If you put together the figures on governmental support for public transportation that I just went through, they indicate that on a per capita basis, public support for transportation in metro areas is 7 or 8 times as great as in nonmetro areas.

Hence, one of the objectives of our organization is to work on our own and with other organizations and public officials and agencies at the Federal, State, and local levels, to increase awareness of rural transportation needs and reduce the inequities in the response to those needs. Other items on the NASTA agenda include:

Increasing the effectiveness of the State and national network of small providers by facilitating information exchange and collective responses to common problems and by encouraging a joint search for innovations in service delivery and in funding support.

Working for more uniformity and equity in the various regulatory requirements that face rural providers, and at the same time increasing productivity through more coordination both at the service provision level and at the regulatory and support level.

Increasing productivity through expanded availability of training and technical assistance, both to providers and to local public officials.

Building on the base that exists to continue the evolution from specialized transportation services to more general public transportation and to extend activities into areas of need not currently being served.

In our view, work on that agenda can make a crucial contribution to rural development and to a better quality of life for rural people.

In closing, I must reiterate that we feel the rural development strategy report is disappointing in both the amount and the quality of the information regarding rural public transportation. This is especially true at a time when the Urban Mass Transportation Administration has now assumed primary responsibility for the existing resources and is quite interested in assisting the growth and development of this segment of the public transit industry. It appears that UMTA participated very little, if any, in the preparation of this document.

We urge the Ag Committee, the other transportation committees of Congress, the Department of Agriculture, the Department of Transportation, and the Department of Health and Human Services to work toward further improvement of the expansion of rural public transportation.

I offer the collective assistance of our State association, our national association, and solicit your use of the extensive network of operators across the Nation as a primary resource.

Thank you very much.

Mr. JONES of Tennessee. Thank you, Mr. Isaacs.

The next witness, and final witness, is Ms. Peggy Wheeler, National Center for Appropriate Technology.

STATEMENT OF PEGGY WHEELER, PUBLIC AFFAIRS DIRECTOR, NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY

Ms. WHEELER. Mr. Chairman and members of the subcommittee, my name is Peg Wheeler. I'm the public affairs director for NCAT, the National Center for Appropriate Technology. It's a nonprofit organization that was established in 1977, and basically we work from a standpoint of technical assistance and training, predominantly in the renewable energy and energy conservation fields, but we work on the whole small-scale approach of self-help.

Currently, one of the major programs we are working in—and I included a brochure, just so you would know about it, because it applies to farmers and rural people equally to others—is a DOE program called NATAS, and it's a technical assistance program that is a toll-free number. We will answer questions regarding engineering or commercialization assistance questions in the entire renewable energy field and energy conservation field.

I just thought you might want to know in case you want to build yourself a solar greenhouse.

I'm here today though, not to talk about NATAS, but to talk about rural development, and the reason that I am here is, I feel that NCAT's perspectives and my own might shed a slightly different perspective on the problem than you are used to hearing; whether you listen to that perspective, I can't impact.

During the 1970's, I worked as an agricultural aide to a Congressman that is on this committee. After that time, I moved down to the Community Services Administration as a rural development specialist, and then I felt the need to get out of Washington and learn a little bit more about what was happening on the local level.

I lived in Idaho, and Pennsylvania, and California at that time, and I worked as a consultant in the entire resource management and rural development issues.

As I did that work, I noticed some things that hit me very dramatically at the time, predominantly questions of rampant joblessness—much more than I expected to encounter—real fear over hunger, predominantly on the local level, not knowing what to do about their hunger problems; and real concern about energy costs and housing costs.

I also witnessed a very strong willingness to deal with this problem but not very much awareness of the options available in terms of dealing with the problem.

I think this is something that we can work on and that the Ag Committee can have a strong impact, and the reason I feel this is that over the last 100 years I think our development thrust in terms of our overall national development thrust, but also within agriculture, was one which predominantly emphasized large scale and growth.

I think that was a very understandable direction because it made farming a lot easier and it made lifestyles a lot easier in rural areas, and it made accumulation of wealth easier, and those were all things that we wanted to achieve.

This thrust, though—there were no recognizable side effects for a very long period of time, but in the 1970's the side effects started to become noticeable, and on my return to Washington, from what I hear, it has become much more drastic in terms of the loss of farms, in terms of the impact on soil and water conservation, in terms of the loss of towns.

I think it is really a period right now that it has become so drastic, and the side effects are so drastic that there is a need to take a look at the entire direction that we have been heading, how our programs have stimulated that, and possibly see if there is another approach to that problem.

Where I come out on that issue, and NCAT does, is that the key to a rural development program which might be successful would be one where you support a localized approach to meeting certain needs, such as your energy and food needs, and thereby retaining many more dollars within the local economy, thereby supporting a much stronger local economy.

For example, very briefly, the Lehigh Valley of Pennsylvania imports 75 percent of their food, and 65 percent of their energy is foreign oil imports. They are predominantly a farming valley with strong corn, beef, pork, vegetables, poultry, very good solar potential, wind potential, hydro potential; coal is located very nearby.

If they chose to produce much more energy at home and to keep much more of their food dollars at home, they would release many more dollars into their local economy that could be spent on other services, thereby producing a much stronger rural situation for themselves.

This example could serve, too, in many other areas.

Just as we as a nation feel like we have to improve our export-import ratio, I feel that rural communities need to take a look at the same sort of approach to their problems. If we did so, I feel that there would be other beneficial results.

When you do things in a local manner which use energy conservation alternatives, farmers' markets, community canneries, more refinement of the food production on the local level, packaging and processing on the local level, as opposed to sending it out of the local area, changing of timber over to furniture on the local level before it is exported, these things would help to provide an employment buffer for semiskilled and unskilled people, a buffer that we are slowly eliminating because we are stimulating such a highly mechanized form of rural development that unskilled and semiskilled labor just really have no place to turn, and I think the past agriculture and energy resource management—that was one place that labor always had to turn, and we are slowly eliminating this.

Your committee could have a strong impact on that. There are many things that the Extention Service and the Ag Research Service and Farmers Home could be doing in terms of collecting data on the types of technologies and community planning that would support this type of approach. Currently, that is not much the case.

There are a few extension agencies that are working very hard on the local level. The State of Nebraska has very strongly taken on community energy planning because they finally realized they have to stop sending energy dollars out of the State. This is happening on a bit-by-bit basis.

But what irritates me strongly is that the Department of Agriculture not only is not strongly supporting that approach, but in many cases the results of the research and extension work in direct conflict.

So I feel that there are ways that you could begin to explore these approaches through smaller programs, and take a look at the impacts of those things. They are summarized in my testimony. I won't go into the various alternatives that are available to you, but there are quite a few.

Thank you.

[The prepared statement of Ms. Wheeler appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Ms. Wheeler, and we will take a good, deep look at your statement when we have the time.

That concludes the testimony that is offered by this panel, and since Mr. Watkins, Mr. Tallon, and I are the only three here, I yield to Mr. Tallon—he is a member of the committee—for any questions that he might have.

Mr. TALLON. I don't have any questions now.

Mr. JONES of Tennessee. Thank you for coming and being with us.

Wes, do you have observations or questions?

Mr. WATKINS. I have a quick question for Mr. Wilson.

As president of the Young Farmers of Oklahoma, you mentioned a number of them had to have a job starting in and all.

I know you may not have this percentage off the top of your head, but what percentage of the young farmers do you feel either had a job, or their spouse had a job, or both, in that organization in order to become established and be able to maintain a farming operation? Can you guess? I know it would be a guess.

Mr. WILSON. Mr. Watkins, it would have to be a guess, but I'm just sitting here thinking right now. Of course some of them follow their parents—their fathers and mothers—in the farming operation, and then the parents help them get started, but for the ones who just go out and buy a piece of ground, like my wife and I did, and start farming on that without any support from the parents or grandparents, or some kind of an heir situation, I'm at a loss now to think of anyone that doesn't have—you know, now, a lot of times it's the wife that works off the farm, rather than the husband, because he is concerned with the farming operation, and it's certainly a full-time job. But I can't think of any young farm couple right now, that I know, in Oklahoma, that don't have some kind of off-farm income.

Mr. WATKINS. Not knowing Haskell County, I couldn't think of any either in that area.

One other comment that Mr. Hill made, about when the administration was wanting to phase out EDA, Mr. Chairman. They wanted to put it over in the Department of Agriculture, but we didn't have any place really to administer it under the present structure, but with the new thrust of the Rural Development Administration, we would be able to have a place for rural development in the plan without going to—I think Mr. Hill said—without going to Housing and Urban Development.

Mr. Hill, I don't know if you were alluding to it; you may have been. Right now over in HUD, we have finally got them to recognize the small cities and rural communities in kind of a division over there.

Mr. Chairman, they send that entire program back to the States, and then they still divide that money up into some of the larger cities, so after it leaves, it is diluted even further.

That is another place that, if we had an organization structure such as this, we could probably bring the small cities and rural communities activities over under the Rural Development Administration, so we can administer them out there for our people without going into the metropolitan area.

So I appreciate that observation, Mr. Hill, and I would like to say to Ms. Wheeler, I'm for keeping all of the dollars we can down in rural America. We don't have enough of them down there. We don't have investment areas or capital there that we need today.

I just wanted to make those points. Thank you, Mr. Chairman, very much.

Mr. JONES of Tennessee. Thank you very much, Wes, for your observations and comments.

I have a question for any member of the panel that I'd like to throw out, and then I have some observations that I'd like to make, if we have the time before we get a notification that we might have a vote on the floor.

Funding for rural development programs, as each of you no doubt knows, and I think everyone in this room would know, have been drastically cut in the past few years. Now, I personally feel that the funding of these programs and of this area is a whole lot more important than reorganizing the Department of Agriculture, if we can do only one.

My question to each of you is—and I want to point out to you that this subcommittee can do only so much; we can work around the clock and still accomplish only so much because we have other activities we have to be engaged in also.

The question is, how should we use our time in trying to accomplish the things that we are here for today that we are discussing? Should we spend our money, and our time, and energies in trying to obtain funding, as we have been trying to do, or should we be making a more drastic effort in reorganizing the delivery system that we have?

I will yield to anyone in the panel. Mr. Raphael.

Mr. RAPHAEL. Mr. Chairman, I don't think you can separate the issue as you have done there. In fact, I think the kind of partnership that Mr. Watkins' bill addresses of bringing together both farm and rural interests in the Department and in the programs of the Department are also an essential kind of a coalition and partnership for obtaining the types of funding and resources that rural areas need.

Part of the problems of cuts in funding in budget are political problems where the strength—and the political strength and organization of rural people have been inadequate to protect the very meager resources that have been there, so that among a whole set of other reasons, I think, for supporting in principle the concepts of H.R. 5024 is also the notion of bringing together people.

So frequently rural people and farm families have been pitted against one another as though the success of rural development was going to be paid for out of agriculture, and I think to deal with the kinds of budget funding issues that you raise, that the kind of bringing together in partnership that is envisioned in that act is a very important strategy for now and in the future.

Mr. JONES of Tennessee. Anyone else? Mr. Hill.

Mr. HILL. Mr. Chairman, to be very direct in regard to that question proposal, I think that we would need to be very serious about appropriating dollars into existing programs for purposes of supposedly helping rural America until we define a way to assure that those dollars wind up where the Congress propose that they would go.

So I think there is a tremendous amount of importance to deal with a mechanism for implementation.

Mr. JONES of Tennessee. That's a good point, and I want to rebut both of what you said in a moment.

Go ahead. Anybody else?

Mr. WILSON. I would agree certainly with Mr. Hill. I think this piece of legislation as introduced simply would streamline getting the funds to the project, and that's what we are interested in out there where I live—is not how many channels of Government or how many offices these things have to be channeled through, but when the dollars are released from Washington, we need to get them in the projects on the ground, so that they are effective and they help the people.

I think this thing, all it would do really is just streamline that method and get that funding out there. We certainly have to work to get all the funding we can, but we need to get that funding to the projects on the ground, where they are intended.

Mr. JONES of Tennessee. Ms. Wheeler.

Ms. WHEELER. Mr. Chairman, the only point that I would make is that in my perception, the local awareness of their problems and local ideas were much more creative than I had expected to encounter, and if I had the choice, I would redirect money from the programs that exist right now directly down to local organizations and local governments to stimulate many of the programs and ideas that they already have.

Mr. JONES of Tennessee. Give me an illustration of what you would do in directing money down. Are you talking about the State governments?

Ms. WHEELER. No. I'd actually go right down to the local level.

Mr. JONES of Tennessee. Now, what do you mean by local level?

Ms. WHEELER. And the way that that can be done would be, you could redirect $20 million out of ARS and $20 million out of Extension Service funding and authorize that to be contracted out on a subcontract basis through those agencies but mandate them to subcontract it to local organizations and local governments to deal with rural development questions, and they would then have to move that money directly down.

They would solicit contracts, and they would manage those contracts, but the money would move directly down to that level.

Mr. JONES of Tennessee. Would you put those bids out to people—to organizations, or to individuals, or how would you handle that?

Ms. WHEELER. Usually the way that agencies tend to handle it is, they advertise it nationally, and I would do it so that organizations or local governments could apply for it, or they could even get together and apply together. Sometimes a number of towns want to work on a project in a combined manner.

I'd make it quite flexible but make it be available directly to them.

Mr. JONES of Tennessee. Anyone else? Mr. Isaacs.

Mr. ISAACS. I'd like to address my remarks specifically to transportation, but in a general sense it does relate to rural development, and that is that we have been in the United States a very mobile society for quite some time now.

I think it was indicated by Peggy's remarks that the local areas seem to be the more imaginative groups that can deal with their own problems, and transportation is one of those examples.

One of the statistics that wasn't indicated in our report is that while the availability of an automobile to a farm or rural area—rural family is reduced, there is another statistic that there may be in a single family one car, and lots of times that automobile has to go with the head of the household to employment opportunities, thus leaving the remaining part of the family without transportation for health care and other such services and needs that they may have during the day.

I would like to see that transportation in rural areas is given almost the same kind of attention as in urban development. Public transportation is a very definite resource for urban areas to draw industry and other resources to them, and I'd like to see public transportation in rural areas start to receive that kind of recognition.

Mr. JONES of Tennessee. Thank you, Mr. Isaacs.

Anyone else? Mr. Wilkinson.

Mr. WILKINSON. Yes, this is my opinion. I think we either need to broaden the mission of the Department of Agriculture and recognize that broader mission in its name, or we need to broaden the involvement of Federal agencies in rural development.

It seems to me that we are hampered at this point by having rural development as a component of an agency for which that is a very minor part of its mission. Rural development stands, it seems to me, as something that is in the national interest that must be pursued, and with whatever means are necessary.

Mr. JONES of Tennessee. Anyone else?

Mr. ISAACS. I have one comment. I didn't address your initial question, which is, what can you do?

With respect again to transportation, I think that, given the fact that there is an enormous funding inequity between what rural areas receive in transportation assistance and what urban areas receive, that some mechanism or some effort on the part of Congress to relieve that inequity would be controversial indeed but very helpful to the rural areas.

Mr. **Jones** of Tennessee. Thank you.

Let me summarize what has been done here this morning by the panels and the statements we have read. All seem to support H.R. 5024.

Wes, I think you have a majority. That's not always true.

The majority of you have seen that there is no problem in changing the name of the Department of Agriculture, and I think that most everyone has said that family farmers or family farm groups need some supplemental income to stay in business.

You have pointed out that some member of the family needs to be working in a factory or have a job somewhere else off the farm unless—that is, if you are in the average size farm that we are talking about, generally speaking. There are some exceptions to that of course, but you touched on that, and you did a good job on that.

I agree with you 100 percent. The farmers that I come in contact with today who are in the best shape financially, Wes, are those who are part-time farmers. I think that's a shame. I don't think that's the way it was intended to begin with, but it is a fact; there is no question about that.

There are fewer foreclosures on family farms that have—that are part-time farmers today than in any other group that we know anything about.

Public investment could help revitalize rural America. I've got to read some of these statements to know exactly what you mean by that, because I don't understand altogether; I wish I did.

USDA, as of now, does not have adequate staff. I think they'd argue with you about that down there, and I don't know that I could agree that they do not have adequate staff.

What they need to do is to shift staff and to improve the quality of staff, and to start to work, and if they had to work like the Members of Congress work and the staff here on the Hill, there'd be some accomplishments made, because we don't have hours here; we work.

Mr. **Watkins**. I endorse what you are saying there.

Mr. **Jones** of Tennessee. I thought you would. You probably don't want to do it, but you don't have any choice.

I feel that way about USDA, and I've been around USDA for many years, and I know about how they and all other bureaucracies operate, and I find my shortcomings down there with them, no matter what administration is in power; it doesn't make any difference who it is; they are all just about alike when it comes to production.

Services in rural communities are inadequate. I want to talk about that in just a moment, but I'm going to pass that up for the time being and go to the deregulation points that some of you made about the real strategy that is needed in rural America as far as deregulations are concerned.

There is some merit to what was said here about deregulation today. I think there are some problems with deregulations as I experience them, and it may be that we are better off than we were before we had some of it in the transportation industry, as an illustration. There may be some that are not as well off.

There are some rural communities throughout the United States who are too dependent upon others for sustenance and their welfare. Ms. Wheeler, I think you are the one who made that statement, and you gave an illustration.

I think that that's an illustration that is well worth considering and thinking about because there are communities who no doubt are in that kind of a condition.

Now, I want to point out something about some of these services that we have now in rural communities that are not being looked after, before we get to the point that we need to change the Department of Agriculture, before we try to do more for rural America, and I'm sure strong for that, as I said in the early part of this session.

This subcommittee has been concerned about the fact that we have not been able to come up and agree with the Department of Agriculture that more should be done for rural America. But I want to point out to you that we have some programs here in rural America today that are in all kinds of trouble.

No. 1, the rural electrification bill. You may, from where you sit, think it's in good shape; it's not. We worked on it a year and a half here in the House; we worked on it in this subcommittee for almost a year and a half, and we got a bill that we passed through the House in good order. But it's still stalemated in the Senate, and it's got to pass both Houses and be signed by the President before it becomes law.

Unless that bill is signed, the Rural Electrification Administration is going to be in all sorts of problems in rural America, and when the lights go off and the telephones are turned off in rural America, we will sure see a wilderness out there that we had once before.

That's not inevitable. It could happen, and that's something that I have bled for through the years, because I was raised in a community where there was not any lights and where there were poor telephone services, and we need it, without a doubt, more than we have ever needed it, because it's more dependent today than ever before.

And then we have some other programs that are just as bad. The Farmers Home Administration, the program where the lender of last resort resides, is in poor condition today, and we have the lending agencies above Farmers Home who are in all sorts of trouble.

We are in, not dire financial trouble, but we are in the position that some of our agencies and organizations are trying to turn back, cut off, deny, refuse to let people have money to continue farming and to continue the way of life that they have chosen.

Much of it is costing a lot today, and it may ultimately cost those who are least concerned today more than anyone else, and that's the consumer of America. Little do they realize the real problem that they face because they are not aware of the fact that it takes a cow to produce milk; they don't know but what it's produced in a chain store; it comes to them in a box; or some other food likewise.

But they are going to find out if we don't get something done as far as these lending agencies are concerned.

I'm just going to mention those two, because that's enough. We have got plenty more that are in that same sort of trouble today.

I appreciate more than you know the fact that you all came. We are going to consider your statements. You have made a real contribution to this subcommittee, and we are going to do our dead level best to do something with what you have said. Thank you very much.

The subcommittee is recessed until 2 o'clock.

[Whereupon, at 12:30 p.m., the subcommittee was recessed, to reconvene at 2 p.m.]

AFTERNOON SESSION

Mr. JONES of Tennessee. The Subcommittee on Conservation, Credit, and Rural Development will resume its sitting from the morning session.

We are delighted that the Under Secretary of Agriculture for Small Community and Rural Development is with us this afternoon as our first witness, Hon. Frank Naylor.

Frank, I see you have Mr. Phillips with you. So we are delighted you are here, and you may proceed in whatever manner you like. We are always glad to see you.

STATEMENT OF FRANK W. NAYLOR, JR., UNDER SECRETARY OF AGRICULTURE FOR SMALL COMMUNITY AND RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE

Mr. NAYLOR. Mr. Chairman, thank you very much.

As always, it is a delight to have the opportunity to appear before you and your subcommittee, and I appreciate very much your making this opportunity for us to discuss the issues of rural development in America.

I have brought with me today Mr. Bill Phillips, who is the director of the Office of Rural Development Policy. He is the chief spokesman and architect on behalf of the Department of Agriculture and, in effect, on behalf of the administration, in coordinating the rural development activities throughout the Federal establishment in the executive branch.

With your permission, Mr. Chairman, after a few opening comments, I would ask that Mr. Phillips summarize the principal points within our current strategy and activities that we have undertaken.

Mr. JONES of Tennessee. Very good.

Mr. NAYLOR. Thank you, Mr. Chairman.

As you know since you played an important role in it, Mr. Chairman, the passage of the Rural Development Act of 1972 and the amendments in 1980, the mission of the Department of Agriculture was expanded to incorporate a responsibility to coordinate on behalf of the entire executive branch the activities in which the Federal establishment is involved with regard to rural development.

That entire area has progressed and expanded in a wide range and variety of programs until today the Federal commitment that is identifiable to rural America approaches some $19 billion in the total Federal budget.

A little over a year ago, we prepared, as required by the act of 1980, the first comprehensive strategy on rural America, which was entitled "Better Country," and we have now provided the Congress with a follow-up report, "A Partnership for Progress," which we feel emphasizes a very significant change in America.

I think we are seeing an increasing number of individuals, as we saw in the decade of the 1970's, returning to rural America, looking for a better way of life, a better environment, a better work situation.

Many of them have purchased land and have become involved in farming, but today a high percentage of the farmers' economic survival comes from off-farm sources. The need to provide appropriate community facilities and the ability of community leaders to be able to access financial markets and to be able to provide the kind of leadership and technical support needed for that community is becoming increasingly important.

The need to forge a very firm partnership, an important partnership between the farming communities and the rural communities that support them, I think, is growing increasingly significant; not only from the standpoint of agribusiness but from the standpoint of creating and developing the opportunity for new jobs in areas other than strictly agriculture, to provide the employment base and the standard of living that is important in our rural communities.

The strategy in "A Partnership for Progress" which we address today really deals with those issues and the role of the Federal establishment.

The easy solution perhaps all too often is to simply assume the Federal role should be the addition of new tax dollars into a variety of programs, but in fact, the Federal Government cannot adequately meet the needs that exist in rural America simply by putting dollars out into rural areas.

The biggest single need we have identified as we worked with the National Advisory Council on Rural Development made up of members from across the country, more often than not, is technical assistance and guidance on how to make use of a wide range of resources that exist not only in the Government at the various levels of both Federal and State, but also in the private sector. If used wisely, in a coordinated fashion, these resourses can indeed provide a standard of excellence in many of these small communities and open the door to a number of new job opportunities.

I believe that in Mr. Phillips' presentation, Mr. Chairman, he will point to some of these steps, some of the results that have come from these kinds of efforts, and to the direction and objective that this administration has undertaken to improve the quality of life for our rural citizens.

With those few comments, Mr. Chairman, I'd like to turn to Mr. Phillips for a short summary of his statement and ask, with your permission, that we be permitted to insert the entire statement in the record of these proceedings.

Mr. Jones of Tennessee. Without objection, the entire statement will become a part of the record.

STATEMENT OF WILLARD (BILL) PHILLIPS, JR., DIRECTOR, OFFICE OF RURAL DEVELOPMENT POLICY, U.S. DEPARTMENT OF AGRICULTURE

Mr. Phillips. I'm Willard Phillips, Jr. I'm Director, Mr. Chairman, of the Office of Rural Development Policy at the Department of Agriculture.

I'm grateful for this opportunity to focus the needed attention and elevate the level of discussion concerning the problems of rural America and the prospects for solving them.

The mission of our office is to try to identify rural needs and suggest effective means of meeting those needs. We do not and cannot bear the sole responsibility for ensuring rural progress, nor does the Department, nor even the Federal Government.

Much has happened since Secretary Block established the Office of Rural Development Policy. We have now produced two strategy documents.

The first, entitled "Better Country," found that rural America has been transformed from a region in decline to a region of rapid economic and population growth. It found that this new rural growth has created new demands on rural communities and new requests for help from rural governments.

The second strategy document, Rural Communities and the American Farm: A Partnership for Progress, found that off-farm income has become so critical to most farmers' economic survival that an economic partnership between the farm and the rural community is essential to both.

To help strengthen and expand this partnership, this report looks to the farmer-owned and operated enterprises to help break the boom and bust cycle that plagues many farm operations.

Select Farmers Home Administration loans can be made to help farmers combine farming with other farm-related enterprises. Our strategy would help produce results.

The field offices of the Farmers Home Administration will supply rural entrepreneurs with information on Small Business Administration programs that may be useful in developing new rural businesses.

An information exchange on rural business opportunities will be initiated by the Department of Agriculture, and the Department will specifically include in its future analysis of farm policies their potential impact on the nonfarm economy.

There is a need to strengthen rural leadership. To assist in this work, "A Partnership for Progress" calls for the following steps: additional management and technical assistance from a national volunteer program involving retired public service employees; a pilot program to assist State and local governments in assessing their local technology needs; a Rural Electrification Administration study of the new changes in telephone service to rural users for review by the Federal Communications Commission; and, beyond that, the Department of Agriculture will spend more on soil erosion control, flood protection, and water conservation.

The Department will improve rural development coordination by asking all Federal agencies whose policies and programs affect rural areas to submit reports describing their work on behalf of rural America, and a rural affairs staff position will be designated in all appropriate Federal agencies.

None of these initiatives by themselves will make a dramatic difference in rural America, but their combined and cumulative effect may well be dramatic over time.

The Rural Development Policy Act of 1980 and the office created to implement it have made a difference. We have enlisted the help of other Federal departments.

The Department of Education last year devised a special policy for rural education.

The Department of Housing and Urban Development has increased rural participation in the urban development action grant and community development block grant programs.

The Small Business Administration and the Export-Import Bank, along with our office, began an outreach program to inform small businesses in rural areas of export opportunities.

We joined with the Rural Governments Coalition to sponsor a series of training conferences for rural government officials in 1983.

We joined with the National Trust for Historic Preservation's Main Street Center in a program to restore the small towns of rural America as centers of new commercial growth.

We have sponsored an experimental rural entrepreneurship project in southeastern Oklahoma designed to create new small business enterprises in rural America through the development of new home grown products and technologies.

We sponsored the first rural application of a new negotiated and investment strategy concept which brings local, State, and Federal officials together as partners in community development, and we have pursued an extensive outreach program to educate rural leaders in both the public and the private sectors, including a meeting in Des Moines, IA, with Secretary Block and representatives from 25 major national rural development organizations. Subsequent to that meeting, we have continued to communicate and work with these groups.

All of these activities have put rural issues higher on USDA's priority list. Most importantly, we have tried to bring rural Americans into the decisionmaking which affects their lives.

There is more that can be done, but given today's budget constraints, I believe we have made the most of the resources available to us in the last 2 years.

This committee's interest in nonfarm rural development is critically important. Working together, we can make life better for the 60 million people who reside in rural America.

Mr. Chairman, that concludes the summary of the statement.

[The prepared statement of Mr. Phillips appears at the conclusion of the hearing.]

Mr. Jones of Tennessee. Thank you very much, Mr. Phillips. We appreciate the statement and your being here.

Mr. English, do you have any questions?

Mr. English. Yes, I do, Mr. Chairman.

Mr. Naylor, most of the testimony that you all have just given seems to be directed toward generalities about what the Department is doing as opposed to what this legislation would do.

Am I given to understand that the Department of Agriculture supports this legislation?

Mr. NAYLOR. No, Mr. English. We have not completed a review within the administration nor completed work on a legislative report on this specific legislation.

We certainly are very appreciative of the substantial interest this bill shows. Mr. Watkins has been involved in rural development extensively and has very conscientiously worked with us, and we have worked very well with him.

I would have to indicate, however, that we do see some administrative problems with various aspects of the legislation and questions that will have to be resolved. We intend to continue the process of review within the administration and will provide a report when requested by the Chairman.

Mr. ENGLISH. Given what you know about this legislation, I assume that you have read through it at least and have given it some thought. Given that fact, is it your understanding that this legislation would require additional cost to the Department to make these adjustments?

Mr. NAYLOR. I think obviously there is a possibility that that could occur. When you begin to establish new agencies there always tends to be some overlap as you break agencies into administrative subdivisions. Other problems might exist. I think the evaluation should consider whether the rearrangement of units would produce sufficient benefits to justify whatever additional costs might be incurred.

Mr. ENGLISH. Would additional personnel be required?

Mr. NAYLOR. Frankly, Mr. English, I don't think we really know at this point. It would depend on program levels and other changes that may well develop in other areas of legislative activity later, particularly with regard to farm lending programs, as next year's legislation in farm areas is examined.

Mr. ENGLISH. All things being considered equal—and I think that is the only way that we can proceed in making an evaluation—I certainly recognize that things may change, but one of the aspects of this that I found rather interesting is what Mr. Watkins was saying this morning, the fact that this is going to free up all those people in those local Farmers Home offices so that they would be concentrating primarily on agricultural loans.

That means somebody else is going to have to be doing the rural development loans.

The question that I have in mind is, if we are going to have all these people freed up to do primarily farm loans, who is going to do the rural development loans?

Mr. NAYLOR. Mr. English, as I understand the content of the bill, I'm not entirely sure that would be the case, because I believe the single-family housing loans, which is the biggest volume item, is still left in the local Farmers Home offices.

Community facility and B&I lending activity already resides in our district offices, so I am doubtful that this proposal would materially change in many cases the workload faced by local offices. I think we again need to evaluate precisely what the impact might be.

Certainly there is the risk of some additional administrative complexity and expense and perhaps some addition of personnel.

Mr. ENGLISH. So if there is no relief for that local office, then that particular attention that I mentioned, from what you understand, would not be there as the bill stands now.

Mr. NAYLOR. There would not be great relief so long as single-family housing is a responsibility of the local office in addition to farm lending. It is the biggest single time consumer of our local office activities, and a good deal of our community facility loan work is already done at the district or State level.

Mr. ENGLISH. What advantage do you see then as far as the legislation is concerned? What would be its principal attraction?

Mr. NAYLOR. I think, if I understand the intention of Mr. Watkins, the intent of the bill is to focus attention on rural development in a separate way and give it a separate identity; to focus attention on specific responsibility. Currently, it is only a part of the broad responsibility of some 30 lending programs now in the Farmers Home Administration.

Certainly—as Mr. Watkins joins us—certainly his interest and understanding, in coming from a rural area, is quite good. He knows the organization and the pressures that it faces.

But as I indicated, we have not yet formulated a view within the administration on the bill. There are some questions on the administrative side that still have to be resolved before we are prepared to take a position.

Mr. ENGLISH. Mr. Chairman, I ask unanimous consent for 3 additional minutes.

Mr. JONES of Tennessee. Without objection.

Mr. ENGLISH. What you are telling me then, from what I can glean through what you have just said, is that the principal attraction is that it highlights the question of some of the rural development programs. Is that right?

Mr. NAYLOR. It certainly does that, particularly the larger scale community-related programs and some of the larger scale multifamily housing aspects, as we understand the content.

Mr. ENGLISH. So that would be the town portions?

Mr. NAYLOR. Yes, yes—community facilities, water and waste—in that area.

Mr. ENGLISH. And can you think of any other benefits then that would be derived?

Mr. NAYLOR. Well, I can't speak for Congressman Watkins, but certainly——

Mr. ENGLISH. Well, I know, but you are from the Department of Agriculture, and you are the one that has the responsibility of carrying out the legislation.

Mr. NAYLOR. I think the assumption is that it would enlist some staff to specialize in rural development activities. It would remove some constraints that come from multiple responsibilities and activities on the part of FmHA staff. Tthey are now responsible for the entire scope of program activity within the agency, which is some 34 different programs. It is a heavy burden that we put on our people.

Mr. ENGLISH. Where would those people come from that are going to be doing this specializing, Mr. Naylor?

Mr. **Naylor**. As we understand the proposal, they would come out of our district offices, which is our second level of supervision.

Mr. **English**. So they would be taken away from other programs.

Mr. **Naylor**. They have additional responsibilities currently in addition to what is proposed here, yes.

Mr. **English**. So those additional responsibilities would be taken away from them and given to someone else?

Mr. **Naylor**. One of the reasons we have some concern about the administrative aspect is that it does take our second line of supervision in our field force out of position, yes, and that would have to be replaced in some fashion.

Mr. **English**. OK, we are going to highlight some of the rural development aspects of the Department of Agriculture, particularly those that apply to communities, and we are going to take some people and have them specialize in these particular aspects and take away from them their present responsibilities so they are able to do that, as I understand it.

What additional benefits do you find?

Mr. **Naylor**. I think the elements of the bill exist today already in the Department. The manpower is there, the responsibilities are there and, frankly, I view this as the principal feature—the opportunity to focus attention on rural development, to have specialists in some of these categories.

The tradeoffs may well be additional manpower and administrative expense requirements. As I said, Congressman, we simply have not completed an evaluation to know whether we are in a position to support the legislation or not.

Mr. **English**. Mr. Chairman, I may have some additional questions, but we have other members present. Thank you.

Mr. **Jones** of Tennessee. Mr. Stenholm, do you have any questions?

Mr. **Stenholm**. No questions.

Mr. **Jones** of Tennessee. Mr. Evans, I guess not; you just arrived.

Wes, would you like to participate?

Mr. **Watkins**. I would appreciate it.

Mr. Naylor, Mr. Phillips, I appreciate your being here. I have read your strategy at great length, and I appreciate your recognizing, I think for the first time, in a printed form, the tie between agriculture and rural communities, the fact that about two-thirds of the income of the American farmer comes from other than farming, and the need to have jobs close by in rural communities in order for them to be able to stay in farming.

It's a sad state for us to be in; it's really tragic, but we have farmers having to subsidize American consumers by the fact that they have to work off the farm, but that's the problem we have today in agriculture, and it has been coming on slowly but surely.

One of the key things I think we have got to do for everyone is be able to provide support, cashflow to keep going, so that we can stay in business, if that is what our desire might be.

In order for them to do that, our delivery system has always been very, very important, and of course the Farmers Home Administration has been the key delivery of financial programs.

Would you agree that there probably could be some streamlining in the Farmers Home Administration in order to better serve the farmer and rancher and possibly be able to better serve the small rural communities that we have the responsibility and we have the mandate by the Rural Development Act of 1972 to carry out rural development?

I think we might do some streamlining there to let that be a more efficient delivery system.

Mr. NAYLOR. Mr. Watkins, there's no question that we aren't trying to move toward greater efficiency and more productivity. I think one thing we have to keep in mind, however, is the enormous growth of the Farmers Home activities in just the last 6 or 7 years.

When I left Washington in 1977, the Farmers Home Administration portfolio was $27 billion; today it's almost $60 billion. The number of customers and people that we serve in rural America has gone from a little over 1 million to 2 million; that's quite a jump.

Mr. WATKINS. Then you are saying to me that Farmers Home—the supervisors there have got such a great diversity out there for carrying on a number of different programs that it is basically nearly impossible for them to carry out?

Mr. NAYLOR. We are looking for better ways to do that. One of the ideas which we have discussed with the Chairman and with you, Mr. Watkins, is we are increasingly seeking some partnerships with the private sector to assist us on loan activity and loan portfolio management. We are experimenting in that area on a pilot basis now with commercial banks helping us on loan supervision, chattel checks—that type of thing—which probably is the most practical solution to many of our staffing problems.

Mr. WATKINS. Let me ask you—and I have suggested, too, some methods for guaranteeing loans on housing that would be able to assist—not having to put so much time and effort in on the Farm Home man so that he—he or she—so they could serve the farmer and rancher better because having an agriculture background and having been a farmer, like the chairman, I am deeply concerned about what happens in agriculture and how we get a delivery system more efficient.

There is no question, I think you would agree, that the efficiency of the Farm Home man has been hurt in delivering the services to the farmer and rancher because he has got so many other programs that he is having to administer. Would that be a logical statement?

Mr. NAYLOR. Certainly our county supervisor, with the housing and the basic farming loans——

Mr. WATKINS. It wouldn't hurt to just say yes or no.

Mr. NAYLOR. Well, you have to qualify it a little bit, Mr. Watkins.

As you well know, we have moved a lot of our specialized loan activity up to the district level to relieve the local county official from having that responsibility for exactly the reasons that you are pointing out.

Mr. WATKINS. Basically, they shifted a lot of the community programs, like multiple housing and water and sewer, and many areas—many States have already adopted shifting those to the district level, so anyone who might fear very much that personnel doing something other than that already—that many areas are already doing it.

Mr. **Naylor**. That's quite correct. Most of those programs are currently handled at the district level, but district directors also have some supervisory responsibilities over the county offices, so they do have some additional duties that would have to be accounted for.

Mr. **Watkins**. That's one of the key things that I am trying to do with the bill, is trying to make it much more efficient, not trying to put any priorities over any other phase of the bill, but a coalition of allowing the farmers and ranchers and the people in rural communities work together to help rural America.

Rural America is agriculture, yes, but it is also rural areas, and if we don't have both of that supported, I think we may end up perishing in years ahead by not having that type effort. So that's one of the things I'm looking at in trying to work with this bill.

I know out in the grassroots of America, I think that there is a tremendous endorsement of this particular bill. I hope the administration might look it over. I know that they are looking at various things.

But it's kind of like the enterprise zone. I'm very happy that you all are on board, fully backing the enterprise zone bill, but when we sat right in that same place about 4 years ago, basically the testimony was against it.

But we found, I think, that we in rural America deserve the same potential of fairness and equity as the people in the urban areas, but we all have to work together, the people who are farmers and ranchers and the people in rural areas.

I think by having this and structuring it and streamlining it, we can find ourselves a much more efficient, much more capable type of staff working, and not taking away from anyone but having a much more streamlined position out there.

I appreciate very much, Mr. Chairman, the opportunity.

Mr. **Jones** of Tennessee. Thank you, Wes.

Frank, I have a question I would like to ask you. If you want to comment on it today, you may do so, or you may let me know by mail—either one.

Mr. **Naylor**. Thank you, Mr. Chairman.

Mr. **Jones** of Tennessee. I think that you know that we have been hearing today from a good many groups, and they are well respected advocacy groups, and they have leveled a good deal of criticism at last year's and this year's Rural Development Strategy Report that has been issued, and I have a copy of it here before me.

I would be interested to know what your opinions are about why so many people have been so outspoken and critical of this report, or these reports.

If you agree, tell us what plans you might have to try to update that or improve it in some way or other.

Mr. **Naylor**. Mr. Chairman, I would be happy to do that, and I suspect we should expand a bit and provide you some additional background for the record, with your permission to do so.

I think it depends to some degree on the perspective. We certainly have had a wide range of participation in preparation of the strategies by many leaders—national leaders representing groups like small towns and townships that are leaders in the rural community area of government. We have had leaders of the communities themselves as major participants in the development of this strategy. They have assisted in determining the directions in which we are headed. We have had supportive comments and activity from them.

On the other side of the coin, we have had some criticism from, for example, farm organizations, that with the division of our time, as Mr. Watkins points out, the stress has been placed on our activities in rural development as opposed to meeting the very substantial needs of our farmers right now, particularly during the spring lending season. So we have heard some of that kind of criticism leveled at us in this area.

But I think it is a fair question, and I think for your purposes and for the record, if we might, I would ask that we expand on it and give you a more extensive answer and identify some of the principal parties and their views.

Mr. JONES of Tennessee. Very good. I would appreciate it very much if you would do that.

Mr. NAYLOR. Thank you, Mr. Chairman.

Mr. JONES of Tennessee. Thank you.

[The information follows:]

Mr. Chairman, two kinds of groups have testified today—farm groups and nonfarm rural groups. Historically, the farm groups have never focused on rural development as a solution to farm problems. As one would expect, farm groups have concentrated on traditional farm solutions—commodities and commodity programs—to farm problems. Since rural development is not in their frame of reference, the two rural development strategies did not appear to address the rural situation as they perceived it.

As the 1980 Rural Development Act intended, the two rural development strategies are policy reports. The nonfarm rural groups are interested and looked for these strategies to establish a game plan for money and programs for rural America. This administration as well as Congress is committed to reducing the deficit. The primary reason for their criticism, I believe, is that we have produced a policy statement when they hoped for a budget commitment.

We understand the actions we could take that would make us very popular with groups you've heard from. But we can't do it. We have to find ways to accomplish more with resources that are available. We're doing a good job of that; testimony at this hearing bears this out.

Also, our new rural development strategy report has been commended by both farm and nonfarm groups, as well as Members of Congress, for forging the policy link that ties farming and the rural community into a cohesive unit. The Secretary and I are committed to strengthening both sectors.

Mr. JONES of Tennessee. Does any other member of the subcommittee have a question to direct to the Under Secretary?

Mr. English.

Mr. ENGLISH. Mr. Naylor, the one thing—I mentioned it this morning; I'll mention it again to you; you may not have been here—that troubles me about this legislation, it appears by inference at least, and maybe by the very language itself, to elevate the rural development programs, nonfarm programs, as far as priority is concerned, to those of agriculture programs, traditional farm income programs. I think that that would be a very serious mistake.

People who live in rural communities depend on agriculture for their living, whether they are running a small country store, or whether they are actually out there on the farm.

Agriculture is the No. 1 industry of this country, it's the No. 1 export of this country, and if we are going to penalize agriculture, and I think with today's limited resources, if we are going to elevate other programs to that level, that is in fact what we are going to be doing, is penalizing in future years, because of those limited resources—then I think that that might be a rather short-sighted approach to take.

It appears to me that as long as our agriculture programs are in trouble, then our rural communities are going to be in trouble, and that if we turn away from that, then we are in fact going to be asking for some very big problems in the future.

Would you care to comment on that? Do you agree with that approach or not?

Mr. NAYLOR. Mr. English, I think that would probably be appropriate for us to put in a legislative report because, quite frankly, that is one of the issues that doesn't have partisanship to it. There are very divergent views, as Mr. Watkins knows, and you know, and the chairman knows, as to, for example, the name of the Department and the role it should play.

Mr. ENGLISH. That is what we are talking about then?

Mr. NAYLOR. Yes, it is.

Mr. ENGLISH. You would agree that indeed what we are talking about doing is elevating nonfarm programs as far as priority is concerned to equal to that of agriculture?

Mr. NAYLOR. Certainly I can't speak for Mr. Watkins, but the intent it seems to me is to focus a greater degree of attention on rural development and raise its profile. Clearly that's the case; whether or not that's appropriate is the issue really before the administration. We just aren't prepared to take a position yet, but we will and we certainly will provide an appropriate report as requested.

Mr. ENGLISH. OK. Thank you very much.

Mr. JONES of Tennessee. Thank you, Mr. English.

The Chair recognizes Mr. Glickman.

Mr. GLICKMAN. Thank you.

Frank, I'm sorry I wasn't here for your entire testimony, and I appreciate the introduction of this bill by Mr. Watkins, because I think it reflects a lot of frustrations out there about the implementation of programs.

But I would ask you this question. One of the things that often happens in Congress is, when we get upset or frustrated about something—how it gets done—our tendency is not to deal with substance but to deal with reorganization.

Sometimes, however, reorganization does produce results because it shakes people up and moves their chairs around, and that's useful sometimes.

But I guess my concern about all of this is that I would worry if we got so involved in reorganization that, in the process, we ended up with a department that didn't necessarily have any more clout vis-a-vis the rest of this Federal Agency.

You see, I see the biggest problem with the Department of Agriculture is that it has become a sub-Cabinet department not a Cabinet department, that you don't have the clout that other agencies of Government have, and I wonder if you might want to comment on that and also as to how this might affect that issue.

Mr. **Naylor**. Mr. Glickman, I dare say that there are some other Cabinet officers that would not agree with that viewpoint, considering our Secretary's success in looking out for farm interests, including programs like the PIK Program.

Certainly, though, it would be unfair to isolate rural development programs solely to the Department of Agriculture. The truth is that virtually all of the major Departments in town have specific programs which do in fact deal with very important segments of rural life.

The Departments of Education, Health and Human Services, HUD, and Commerce just to name a few, have major programs and major allocations of resources that go into those areas.

One of the weaknesses, I think, that tends to occur in the Federal establishment is we don't coordinate and see that those resources are used wisely, and that is one of the principal roles that Mr. Phillips' organization serves. The negotiated investment strategy, which is referred to in the strategy, is a good example of what can be done in this area.

It has not been unusual, in my experience, to see us develop a project—in the area of water and sewer, for example—where several agencies have conflicting regulations that make it virtually impossible for a rural community to take advantage of or effectively use funds.

Probably the biggest challenge is to eliminate those barriers and to do a better job of making good use of the considerable funds that are now available.

Mr. **Glickman**. OK. I'm open on this bill. I want to talk to my colleague from Oklahoma about it. I want to make sure that it actually does improve the substance of operations.

I would make a point. During the Nixon years, he proposed something that was very controversial; he proposed, as you may recall, combining Cabinet-level departments, and in the agriculture area, what he proposed to do is basically combine the Department of Agriculture and the Department of Interior to have a super department on natural resources in this country, and that of course was opposed very strongly by farmers and farm groups for fear that it would deteriorate their position in this Government.

But what I have seen happen in the last several years is that the clout of your Department—not just in this administration; it has happened in the last 15 years—has diminished, I think, vis-a-vis the rest of the Federal Government, and anything that Mr. Watkins' bill can do to try to elevate not only internally—his bill is focused internally; I'm just as concerned about external—the power of the Department of Agriculture to influence policy in this country. I think it is a useful exercise we are going through.

Thank you, Mr. Chairman.

Mr. **Jones** of Tennessee. Thank you, Mr. Glickman.

Mr. **Watkins**. If the gentleman would yield, if we can work with rural development, which is mandated in 1972, for our small mayors, town commissions, small school boards, county commissioners, and all like that, back in the agriculture bill, because we a stronger strength of rural development with that effort, we will be able to pass ag bills a lot longer in this Congress than we will be any other way.

Mr. Jones of Tennessee. Does anyone else have any questions?

If not, thank you very much, Frank, and Bill Phillips, for being here with us, and the Chair will reserve the right, Mr. Secretary, to write you for any questions that may arise that we would like to have a report on, that we did not discuss in detail here today.

Mr. Naylor. Thank you. You are most kind to hold these hearings; I commend you for it. It is always a privilege to have the opportunity to appear before your committee.

Mr. Jones of Tennessee. Thank you. It's always good to have you.

The first panel this afternoon is the rural development group: Mr. William E. Murray, with the National Rural Electric Cooperative Association; Mr. A. David Rally, Public Works and Economic Development Association; Mr. John Ladd, executive director of Mohawk Valley Economic Development District; Mr. Charles Boothby, the executive secretary of the National Association of Conservation Districts; Mr. John Montgomery, National Rural Water Association; Mr. Edward G. Bell of Southern Mercantile Group; and Mr. Rudy Arrendondo of the National Association of Community Health Centers.

Gentlemen, we are delighted that you are here.

Bill Murray, it looks like we may lead off with you, because you are the first man on the list here today, and may I say that we are glad that you are here, and you may proceed.

STATEMENT OF WILLIAM E. MURRAY, LEGISLATIVE SPECIALIST, RURAL DEVELOPMENT, NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. Murray. Thank you, Mr. Chairman. I appreciate that deference to age.

I'll summarize my statement and ask, if it's all right with you, to have the statement in its entirety put in the record.

Mr. Jones of Tennessee. Without objection, it will be made a part of the record.

Mr. Murray. My name is William E. Murray, and I'm legislative specialist for rural development for the National Rural Electric Cooperative Association.

We appreciate this opportunity to express our views on H.R. 5024 and the Rural Development Strategy Report update which are the subjects of the subcommittee's hearing.

At their annual meetings this year and last, the NR[illegible]A membership voted unanimously for resolutions calling for the restructuring of the Department of Agriculture's rural development responsibilities along the same lines as called for in H.R. 5024, and the resolutions—parts of them—are in my statement; I won't repeat them.

We believe that the bill would not only enable USDA to implement its rural development programs more efficiently, but it would also eliminate the dissatisfaction that farmers and ranchers have with Farmers Home because of its schizophrenic and competing farm and nonfarm roles. I think the farm organizations pointed this out this morning.

According to the bill's author, Representative Watkins, few additional personnel would be required in this restructuring proposal. Farmers Home staffers responsible for rural development would continue their duties as employees of the Rural Development Administration.

The bill also calls for the renaming of the USDA, the Department of Agriculture and Rural Development. We believe this is appropriate since it would more accurately reflect the rural development mission of the Department in addition to its agricultural mission.

Having had some experience with changing names, I don't agree with Shakespeare that a rose by any other name stinketh as prettily. I remember when we tried to change the name of Farmers Home to Farmers Home and Rural Development some years ago, Chairman Poage was very much against that and pointed out you'd have to change all the signs. That proposal didn't get very far.

While we support the name change, we wouldn't be a bit surprised that it will have a lot of trouble.

In the Rural Development Act of 1972, Congress made it very clear that USDA was to be responsible for the leadership role among all Federal agencies and departments for rural development.

It was given the task of coordinating Federal rural development efforts. Therefore, it seems logical to us that the Department's name should reflect this role. Further, it would reflect the fact that the Department is concerned with some 54 million rural residents in addition to the Nation's farmers.

Speaking of the Rural Development Act of 1972, originally the name change was in that act, and some farm organizations decided that they didn't think that was a good idea, so it was stricken.

Among the advantages of restructuring, in our opinion: it would serve to upgrade rural development at USDA and nationally. All signs now are pointing to a downgrading.

An obvious example is the administration's budget for rural development programs at the Farmers Home Administration. Compared to the 1980 Farmers Home budget, for instance, the trend is dramatically evident.

The 1985 proposal of $2.9 billion is $3.7 billion under the 1980 budget. In addition, the administration has drastically cut financing for rural facilities, housing, and job creating, and job saving enterprises.

In the case of the Business and Industrial Development Loan Program, which is one of the few sources of credit for rural businesses, both farm and nonfarm, the administration is seeking to phase it out completely. It also is considering combining the funds for other rural development programs into block grants and turning them over to the States to distribute.

The legislation, in our opinion, would help stem the erosion of rural development and give it a new and higher priority at USDA.

Farmers Home Administrator Charles Shuman has been quoted as saying that he would "like to end the programs for business and industry, greatly reduce those in housing, water and waste, and increase lending in the farm area."

As far as we can observe, Mr. Shuman is having his way at Farmers Home, and with Farmers Home's top man advocating the reduction and/or elimination of the Federal Government's primary rural development assistance, the outlook for rural development is not very promising.

Actually, Mr. Shuman's views make the argument for separating Farmers Home's farm and nonfarm activities and putting the latter into a rural development agency as H.R. 5024 proposes.

I see the red light is on. Does that mean I'm finished?

Mr. JONES of Tennessee. No, sir. You go ahead and proceed.

Mr. MURRAY. I thought I had timed this for about 10 minutes, but maybe my watch wasn't working.

In regard to the rural development strategy, by way of background, I would mention that NRECA was the first organization to come out in support of the Rural Development Policy Act.

The day after its authors, former members of this committee, Representatives Richard Nolan and then Representative Charles Grassley, introduced the bill, the NRECA membership at its 1978 annual meeting unanimously endorsed the legislation.

Compared to the dimensions of the needs of rural America for jobs, for housing, and for community facilities, the accomplishments described in the strategy report seem almost irrelevant and, of course, it was the rural development policy bill that mandated that USDA develop a comprehensive strategy and submit a report each year.

The administration strategy is not without its irony. For example, it is seeking to divert hundreds of millions of dollars from rural development programs to farm loan programs. We are certainly not against the farm loan programs getting all the money they need, but this tells us that rural development has a low priority at the department, The Farmers Home Administration, it seems to us, should request these additional funds in supplemental appropriations and not take them from rural development.

In a press release accompanying this strategy update, Secretary Block stated:

> We must strengthen the partnership between the 5.6 million people living on farms and their 54 million rural non-farm neighbors. Today, the average farm family receives two-thirds of its annual earnings from off-farm sources.

In the light of the Secretary's words, it would seem to us that he would ask for additional farm loan funds so as not to further deplete the financing available for economic development, which he points to as closely related to the interests of farmers, and I think Mr. Naylor mentioned that.

There is a critical linkage, it seems to us, between farming and rural development.

One could get the impression from reading the strategy report that rural development is making huge strides at USDA and at other Federal establishments. The evidence we see, however, convinces us that just the opposite is the case.

The evidence tells us that rural development is being seriously downgraded and neglected, which could prove to be a very shortsighted and costly policy, both in economic and human terms.

The first 2 years of this decade, according to the Census Bureau, have seen a slowdown in the growth of population of rural America. Many rural counties are still losing population. No longer is rural America growing at a faster rate than urban. The first 2 years of 1980, rural areas have grown very slightly.

This brings us to the point that the migration of millions of displaced farmers and rural residents to urban areas served as the main reason for the rural development programs initiated by Congress in the 1960's and 1970's.

The objective was to slow the shift in population from rural to urban, which was causing serious problems for the Nation as a whole, as demonstrated by dying rural communities and overcrowded cities where rural migrants sought jobs but often had to settle for welfare.

I think it is important to point out that in the Agricultural Act of 1970, Congress declared that maintaining a sound balance between rural and urban was a top domestic priority and that "the highest priority must be given to the revitalization and development of rural areas," which means to me that Congress declared in 1970 that rural development should have a high priority.

In the early 1970's, the migration reversed itself, and rural population began to grow again for the first time in the 20th century. Certainly some of the credit for the turnaround must go to the Federal rural development assistance made available by Congress.

Unfortunately, rural development is no longer a matter of urgency. The administration is ignoring the needs of rural America, and the once high priority for rural development has slipped to the lowest point in 30 years. In our opinion, the potential for another flood of millions of rural people to the cities is now in the making.

The combination of high rural unemployment and underemployment plus an agricultural depression will eventually force millions of foreclosed farmers and jobless rural residents to leave rural areas unless we have an effective strategy to stabilize the population of rural America.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Murray appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Murray, for a very good statement.

If you would remain, we would like to hear all of the panel members before we proceed with questions.

Our next witness is Mr. A. David Rally, Public works and Economic Development Association.

Mr. Rally.

Mr. RALLY. Mr. Chairman, I don't have a statement. My purpose in being here is to assist Mr. Ladd in responding to questions from the subcommittee.

Mr. JONES of Tennessee. Very good. We are delighted that you are here anyway, and if you have any statement, we will be glad to hear you when Mr. Ladd has finished.

Mr. John Ladd, executive director, Mohawk Valley Economic Development District.

Mr. Ladd, you may proceed.

STATEMENT OF JOHN M. LADD, MEMBER, BOARD OF DIRECTORS, PUBLIC WORKS AND ECONOMIC DEVELOPMENT ASSOCIATION, ACCOMPANIED BY A. DAVID RALLY

Mr. **Ladd**. Thank you, Mr. Chairman. It is a pleasure to be here.

My name is John Ladd. I am here to represent the views of the Public Works and Economic Development Association. I am past president of PWEDA and presently serve as a member of the board of directors. I am also executive director of the Mohawk Valley Economic Development District, located in Mohawk, NY.

On behalf of the membership of PWEDA, I want to thank you for the opportunity to testify on H.R. 5024, the Rural Development Reorganization Act of 1984.

Our association was formed in March 1981 for the express purpose of advocating economic development programs that create or save jobs. Our membership consists of multi-county organizations, more commonly known as economic development districts, small- to medium-sized business and industries, and local elected officials.

We believe that economic development is good for the country because it promotes jobs, hence, we support any effort or initiatives that lead to that end.

For that reason, we support the concepts contained in H.R. 5024. We feel that the idea of focusing on efforts to promote jobs in rural America is a good one because the rural scene has changed over the years. Therefore, it is timely that a bill such as Congressman Watkins has introduced is now being considered.

The situation in rural America has, indeed, changed during the past couple of decades. Until the 1930's, domestic farm policy emphasized research and extension with the self-supporting Federal Land Bank Program providing long-term credit needed for farm purchase mortgages.

Soil, plant, and animal scientists were seeking to improve yield, quality, and disease resistance with their findings, continually appearing in how-to bulletins, mostly available to farmers at no cost.

The rural population was basically farm oriented, consisting of farmers, farm service establishments, farm marketing enterprises, and farm-dominated local governments.

The 1930's Depression fell with particular severity on farmers. Farm prices were at or below cost of production, with the resultant threat of mass displacement of farm families from their land.

The original farm price support and production control programs were designed to result in farm prices that would provide farmers with enough income to stay on the farm and weather the Depression. These programs and the farmers' own efforts made it possible for most farmers to survive the Depression. Farmers were then able to produce enough to feed the country and much of Europe during Warld War II and its aftermath.

Today, however, the rural scene is vastly changed, and it has become more and more evident that rural is no longer synonymous with farming; at least farming on a scale large enough to be considered sole source of income for the rural resident.

Farmers now comprise only approximately 10 percent of the rural population, with retirees and nonfarm enterprises, including their employees, overshadowing farmers in numbers and in establishing local government policies.

For example, in 1950, of 54.2 million rural residents, 23 million, or 42 percent, lived on farms. Also in that year, income from farming, at $14.1 billion, accounted for 69 percent of the total personal income of the farm population.

By 1982, however, data shows that of the 59.6 million rural residents, only 5.6 million lived on farms. These 5.6 million rural residents operated approximately 2.5 million farms. Yet, of these 2.5 million farms, only approximately 300,000 could be classified as full-time farmers. The other 2.2 million farm families derived well over half of their income from nonfarm sources.

On the other hand, these past 50 years of scientific progress have made our Nation's farmers the most productive the world has ever seen, but along with the tremendous increase in productivity has come a sharp size stratification in farm operations, with some two-thirds of the total farm output coming from approximately 10 percent of all farms. This is because the trend in farming has been toward the large corporate farms which specialize in growing wheat, corn, cotton, and soybeans.

The scale of these operations is so large that the small- and middle-sized farmers can no longer generate an adequate income from their limited acreage. Consequently, this kind of farmer increasingly has to turn to other endeavors, primarily an off-farm job, to maintain an adequate income.

Income from farming is inadequate to maintain a reasonable standard of living for the small- and medium-sized farms, which farms account for 9 of every 10 in the United States.

This accounts for the fact that in 1983 two-thirds of all personal income for these smaller farms came from off-farm sources principally in the form of wage and salary jobs. This development has resulted in more and more attention being directed toward rural economic development in order to provide more jobs in rural areas.

Today, we have a situation where the benefits of farm price support programs, costing more than $20 billion in 1983, now are concentrated in the approximately 300,000 very large farms noted earlier.

The other 2.2 million farmers, because of the smaller scale of their operations, receive little income benefit from these price support programs. They therefore look to off-farm jobs—about one per family—to maintain their level of living above poverty levels.

If the Department of Agriculture is to carry on with a mission of maintaining farm operator income, this cannot be done via farm price support programs alone. Helping to assure the availability of good grade off-farm jobs would maintain more farm households income than practically any modification of current farm price supports.

Even without assuming any responsibility for delivery of Federal services to the 90 percent of rural residents who are not farmers, the USDA, by assisting local governments and development organizations in their efforts to increase off-farm jobs would find this the least costly and most effective way of maintaining farm income and farm output from 90 percent of all farm families.

Accordingly, we think there is a need to focus attention on rural development with the objective of providing at least one job for each of the farm families that comprise 90 percent of the farm community.

H.R. 5024 is a step in that direction, and we applaud Congressman Watkins for his wisdom and foresight in introducing the bill and your subcommittee for giving it consideration at this hearing.

Since the basic concept of H.R. 5024 is rural economic development designed to create jobs in rural America, we can support the bill and will offer two suggestions to help bring that basic concept into reality.

H.R. 5024 recognizes the need to focus at least part of the Department of Agriculture's attention on rural nonfarm development by separating its activities into farming and nonfarming rural development.

In view of the changing agriculture scene, it would appear that the concepts embodied in H.R. 5024 are a logical reaction to the changes referred to earlier and, therefore, would fall into the category of "an idea whose time has come."

We note that the bill makes no reference to the area development assistance planning grants program administered by the Farmers Home Administration under section 111 of the Rural Development Act of 1972—Public Law 92-419.

This program was developed to provide individual units of government and multicounty planning organizations in rural areas with financial assistance in developing plans and projects that assist in the development of those areas.

We think this is a good program, although it has not been funded in recent years, and one that fits in very well with the concepts of H.R. 5024. We would, however, recommend that the program be modified to include planning funds for multicounty planning organizations.

We would suggest, also, that the bill be more specific in the kinds of assistance that would be made available to rural areas in promoting economic development.

As an economic development practitioner, I can support concepts that promote economic development, but I also know that we must have financial support and assistance to carry out those concepts.

For example, at the moment I have over $86 million worth of economic development projects in my office that, if ways could be found to fund them, would promote economic development in my area and create badly needed jobs.

We have had many years of experience in the field of economic development, and should such rural development programs as provided for in H.R. 5024 be made available, we would know how to use such assistance in the most effective way.

If the concepts in H.R. 5024 are to be carried out effectively, then we think the experience and expertise of the multicounty organizations should be utilized in putting those concepts into practice.

Finally, Mr. Chairman, we would like to commend the Office of Rural Development Policy in the Department of Agriculture and Secretary Block for bringing into the forefront the growing problems of rural America.

In his letter to the Congress by which he submitted the 1984 Rural Development Strategy Report, "Rural Communities and the American Farm: A Partnership for Progress," Secretary Block said:

> As we approach the conclusion of this century, we find evidence that a strong agriculture depends on a strong rural community. Today the average farm family depends on income derived off the farm for two-thirds of their total annual earnings. We must use existing Federal tools to strengthen this partnership between the 5.6 million farm families and their 54 million nonfarm neighbors because the success of one group relies on the success of the other.

We endorse this statement and suggest that the bill H.R. 5024 is an excellent beginning.

Thank you, Mr. Chairman. We will be glad to answer any questions.

Mr. JONES of Tennessee. Thank you very much, Mr. Ladd. We will do you like the rest; we will pass you up until we have finished with the panel.

Our next witness is Mr. Charles Boothby, the executive secretary of the National Association of Conservation Districts.

Charlie, it is good to have you, and we appreciate the time you have taken to be here.

STATEMENT OF CHARLES L. BOOTHBY, EXECUTIVE SECRETARY, NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS

Mr. BOOTHBY. Thank you, Mr. Chairman and members of the subcommittee.

I am Charles Boothby, executive secretary of the National Association of Conservation Districts.

I would summarize my statement with the understanding that the entire written statement would appear in the record.

Mr. JONES of Tennessee. Without objection, the entire statement will be made a part of the record.

Mr. BOOTHBY. Most conservation districts are in rural regions of this Nation and thus have a strong interest in the rural development programs of the Federal Government.

As local units of State government, conservation districts have sponsored and serve on the councils of all of the 194 resource conservation and development areas nationwide.

Conservation districts have sponsored RC&D areas as a means of broadening district programs and increasing service to multicounty areas within which they work.

In 1982, we conducted a study of the States to determine the status of RC&D projects. This survey showed that for fiscal year 1981, with a direct appropriation to RC&D of $34 million, RC&D councils conducted over a $90 million program. An additional $30 million was received from other Federal programs and over $30 million from non-Federal sources.

RC&D has served as a catalyst for many activities in rural America, including many that would qualify as rural development activities. NACD is concerned, however, about the lack of true progress on the part of USDA in the field of rural development, both in terms of leadership and in terms of funding.

With the publication of the National Conservation Program, the Soil Conservation Service appears to be concentrating its activities on the control of erosion on crop land, a worthy and much needed emphasis. This is being done, however, at the expense of other activities which could be considered as rural development.

Recently SCS eliminated the cost sharing for recreation-related measures in RC&D areas and reduced the cost share rate for flood control projects in the RC&D program. Both of these initiatives seem to run counter to the expressed intent of the published Rural Development Strategy of USDA.

A study of the 1983 report "Better Country" and the 1984 report "A Partnership for Progress" imply at least that the way to rural development is to make the countryside look more like the cities. Further, neither report acknowledges the existence or the contribution to rural development of the 194 RC&D councils.

In a report of the Senate Committee on Agriculture entitled "Farm Policy Perspectives" dated April of this year, there is an article by Stewart Smith, the commissioner of agriculture in Maine, which addresses the issue of rural development as follows:

> I would start by suggesting that we need to rethink the present rural development strategy. That strategy, in my opinion, is misdirected. It depends heavily upon the concept of enterprise zones to attract business firms into rural areas. It relies on expansion of agriculture exports as a means of bolstering farm income in rural America, and it proposes significant increases in the amount of data collected in rural America.

He goes on:

> We need a policy that does not rely upon providing every rural community with the opportunity to participate in large-scale-industrialized society. We need a policy which recognizes differences between our urban and rural communities and builds upon rural strengths rather than imposes urban solutions upon our rural areas.

We would associate ourselves with the remarks of Commissioner Smith.

It is obvious to us that a revival of an active rural development thrust is necessary within the Department of Agriculture. In that respect, we certainly commend the objectives of H.R. 5024. We would also commend Congressman Watkins for his active interest in sponsoring this legislation.

Rather than creating a Rural Development Administration, we would suggest that the charter of the Soil Conservation Service be broadened in scope to address more clearly the objectives of rural development.

We would point out that SCS has been flirting with this approach over the last 30 years through the administration of various programs such as the Small Watershed Program, RC&D, river basin and floodplain studies, and many others. They have the expertise and the staff, and it is our belief that this agency, given the appropriate legislative mandate, is equipped to handle this rural development role of USDA.

It might be suggested that this rural development role in the charter of SCS might detract from their present soil conservation charter. We see the rural development effort as a complement to the soil conservation effort.

Mr. Chairman, I cannot state that my testimony today is based upon a policy position of our association. We do support rural development of the soil, water, and human resources of the Nation. I do have authority to present these proposals to be considered in your discussions of rural development in hopes that they can be helpful in strengthening a balanced conservation program within USDA.

Thank you.

Mr. JONES of Tennessee. Thank you very much, Charlie, for your statement, and we will see to it that it becomes a part of the record.

[The prepared statement of Mr. Boothby appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Our next witness is Mr. John Montgomery of the National Rural Water Association.

Mr. Montgomery, thank you for being here, and you may proceed.

STATEMENT OF JOHN MONTGOMERY, NATIONAL RURAL WATER ASSOCIATION

Mr. MONTGOMERY. Thank you, Mr. Chairman.

I will make this a green light testimony. We just have a few comments to make on the bill.

I'm from Oklahoma, so we both have the leading advocate for rural development and leading advocate for agriculture from Oklahoma represented in the U.S. Congress. We find that the combination works pretty well back there.

Our organization is comprised of State rural water associations, which in turn are made up of the small rural water associations in each of the States.

The members of the rural water associations, of course, are—I would say, at least 70 to 80 percent of the folks farm. So the tie between agriculture and rural water development has been very strong over the last few years.

Our comments would be based on about—on three situations where we would find this type of legislation or this bill to be of benefit. We are still frustrated with the fact that nobody seems to be in charge as far as what we are doing in rural development at the Federal level and somewhat the way it is reflected at the State level.

I realize Mr. Naylor has got a new title, and we think Mr. Phillips does a lot of good work with paper, but a lot of this has to be put into practice.

I know that what we are doing with rural water is just the best we can do with what we have, and of course the grant and loan program is the backbone of rural water in every State.

However, when it gets down to talking about how we can tie it together or how it works with other programs, whether it is new jobs or improved housing, we just haven't had the focus that I think needs to be done in the long run. This would be one of the primary benefits of the bill.

The second thing is that somebody needs to be able to negotiate some relationships with some of these other Federal programs. We have a problem with rural water which has to do with the Safe Drinking Water Act. EPA enforces it.

The way EPA came out of the gate on that act, they were going to start shutting down water systems, and as one farmer said to an EPA official when I was sitting there, "You can just plough it out and take it back to the house if you think you are going to shut it down."

Well, they are not going to shut down water systems because people have to have water to drink. They mean to improve it.

So we sat down with EPA and Farmers Home, and we have got a letter of understanding between the two agencies which says that EPA will heed to Farmers Home to working out the problems on rural water/drinking water where it is unsafe. We really haven't had any problem since then with the regional offices, with the primacy in the State governments.

It's not easy, but a two-page letter of understanding can go a long way in cooling off some hotheads down at the State and local level. I think that maybe we wouldn't have to be the people in the middle of that if we had a rural development emphasis in the Department of Agriculture.

I would add a third thing, and that is that opportunities come along through Federal legislation and the word goes on in Congress.

I'll give two examples of where I think the Congress can move ahead of any Federal agency, or we wouldn't have had the resources we have in rural areas.

I know that they talk about UDAG's and how they are going to rural areas, and I realize Mr. Naylor highlights that. The reason there are UDAG's in rural areas is because the Congress put it in the bill on the floor of the House. There was no preconceived priority for that. I think it would not have been there.

I think if we had someone that was in charge of rural development and was taking a look at that, perhaps there could have been an advocate for that besides just the Members of Congress.

The second thing is the jobs bill where we were rushing into the jobs bill and everybody was going to put money into infrastructure, but as Mr. English points out everybody forgot about we had some work to do in the rural areas. With Mr. Whitten and some members of the Appropriations Committee, $600 million was put into that.

Now, that was $4.8 billion that they were going to spend anyway, and rather than spend it on urban programs, we were able to get the $600 million for the Rural Water and Sewer Grant and Loan Program. However, it didn't keep them from taking half of it back once it got over there, but we at least got the $300 million.

So those are the three points that I would like to make. Obviously, if this was the solution, we probably would have done it a long time ago, but I think this is the kind of thing that the Congress needs to be working on and looking at, the kind of thing we want to support, to try and put a little more strength in this rural development effort within the executive branch of Government.

Thank you very much.

Mr. JONES of Tennessee. Thank you very much, Mr. Montgomery, for your statement. We appreciate your being here.

Our next witness is Mr. Edward G. Bell of the Southern Mercantile Group.

Mr. Bell, thank you for being here.

STATEMENT OF EDWARD G. BELL, PRESIDENT, SOUTHERN MERCANTILE GROUP, INC.

Mr. BELL. Mr. Chairman and members of the subcommittee, I want to thank you for allowing me the opportunity to speak before you today.

My name is Ed Bell. I am from Morgan City, LA, and I'm president of the Southern Mercantile Group, which is a company that provides services to medium-size businesses in the area of packaging federally insured and guaranteed loans.

My reason for being here before you is to voice support to the proposal put forth by Congressman Wes Watkins, H.R. 5024.

My business is involved in securing Government guaranteed and insured loans for privately owned businesses which are located in rural America. My involvement with the privately owned business of rural America covers a span of 9 years, and it is with concern over this facet of the economy that I direct my remarks.

I strongly feel Mr. Watkins' proposal will both streamline and strengthen the Business and Industry Loan Guarantee Program which is really the only active source of time financing available to medium-size businesses in rural America today.

Medium-size businesses are those that gross between $1 million and $50 million annually. These businesses are responsible for the employment of 58 percent of the work force in America. The most important area of rapid development for these new growth medium-size businesses is in the area of America that are less than 50,000 in population.

My concern is that the money needed by the business community of the rural areas in America is not available. We find that the financial needs of this important sector of the economy are rated last in order of importance by the major money lenders and Government agencies concerned with industrial development.

I should clarify my last statement and note that this has been with the exception of the Business and Industry Program of FmHA.

Let's just review the economic situation in this country with respect to: One, where the money wants to go; and, two, where the jobs are.

If we look at the leader of the American economic indicators, we must view the Fortune 500. According to Peter Drucker in the January 24, 1984, issue of the Wall Street Journal, in the last 5 years the Fortune 500 have lost 3 million jobs, all new jobs were created by small and medium-size businesses.

Yet we find that the money centers and regional banks, as well as Wall Street, will react to the needs and demands of the corporate giants and virtually ignore the small and medium size businesses in rural America.

We understand that the money wants to go to the larger, more established companies, as well as to the more secure metro areas which are home to these larger companies.

However, if the question is raised as to "where the jobs are," the answer is with the small and medium size business. Again, these are those that have their roots established in rural America.

According to the SBA fact sheet on the President's report on the state of small business, we find that all up indicators for job growth between 1980 and 1983 are in the area of small business. Yet the problem that seems to surface is that the money to finance the growth in this sector of the economy just isn't there.

Recognizing this problem, the Federal Government has tried to help by providing the vehicle of Government insured and guaranteed loans through various agencies to attract capital to rural America and to allow the smaller, rural, independent banks to make term loans and larger loans, which under normal circumstances they would be unable to do.

Under this vehicle of Government insured and guaranteed loans, we have addressed the problem of businesses in rural America, but we have not solved it.

SBA, which is an excellent program, is evolving into an agency that is losing contact with rural businesses. This is due primarily to the discontinuance of the "circuit rider program" and the fact that in most States only one office exists.

The 7A and 503 programs of SBA are definitely targeted for the really smaller businesses, and the State offices are now backlogged.

EDA has an excellent program, but again, with one office in a six-State region, the agency does have an extremely tough time maintaining contact in rural areas. In fact, in recent times this program has been dormant.

FmHA, B&I, has a proven program, but more important, has shown to have the most effective delivery system of any economic development program within the Federal Government to respond to the needs of rural America. The B&I program is the answer to "how to get the money to where the jobs are."

My only concern is that this is not enough. It is for this very reason that a good thing can be made better that I support Mr. Watkins' proposal.

Thank you, Mr. Chairman.

Mr. JONES of Tennessee. Thank you very much for your statement, and if you will remain, we will hear Mr. Arrendondo, and then we will proceed with some questions.

We are delighted to have you, Mr. Arrendondo, and you may proceed.

STATEMENT OF RUDY ARRENDONDO, POLICY ANALYST, NATIONAL ASSOCIATION OF COMMUNITY HEALTH CENTERS, INC.

Mr. ARRENDONDO. Thank you, Mr. Chairman and members of the subcommittee. I am very happy to be here.

I would like to do a brief summary of my testimony and would like to have my written testimony be a part of the record.

Mr. JONES of Tennessee. Without objection, it will all be a part of the record.

Mr. ARRENDONDO. I thank the members of the subcommittee for the invitation to testify on behalf of rural and migrant health centers. My name is Rudy Arrendondo, policy analyst for the National Association of Community Health Centers.

The National Association of Community Health Centers is a broad-base, private, nonprofit organization representing over 800 urban, Indian, rural, and migrant community-based health centers serving low-income, medically underserved populations in all 50 States, Puerto Rico, and the District of Columbia. These centers provide health services to more than 5 million low-income Americans.

As the national advocate for these centers, we are extremely concerned with the organizational proposal as contained in H.R. 5024. Although, as a former user of Farmers Home Administration rural community development programs during my tenure as a field representative for Rural Housing Alliance/Rural America for over 4 years and subsequently an employee of the Farmers Home Administration, I can understand the high level of frustration experienced by the members of this body to such an unresponsive agency as Farmers Home Administration.

However, it is our sense that a reorganization which would fragment rural community development programs is not the best approach in addressing the needs of rural America. We strongly support a comprehensive approach as now in place within the Farmers Home Administration.

Actually, we are more concerned with the evident lack of leadership attitudes and lack of commitment by the agency, exacerbated by inadequately trained staff presently trying to cope with their varied program portfolios in the county and district Farmers Home offices. Furthermore, we strongly recommend the need for additional staff for field offices.

As for the Department's rural development policy, the kindest thing I can say is that is a hot air balloon.

I am also this morning, Mr. Chairman, and especially Mr. Watkins, a little bit disturbed with the apparent division that appears to be occurring between farm groups and "those other programs" within the rural development community which, in the opinion of the association, are an integral part of a comprehensive approach to community rural development, which this body, in its wisdom, has long recognized, and I can assure you that no amount of streamlining, reorganization, or prioritization will assist our depressed rural communities when that agency is being run by the uncommitted and the nonbelievers.

It seems to me that every time that I see Mr. Naylor and Mr. Shuman, it seems to me that somehow they are not the right people to be questioned. I think it would be more appropriate to have Mr. Stockman up here, since it seems to be that they are the people that are actually running the Department.

Furthermore, I would like to illustrate some of the problems that we in the rural and community health centers have been experiencing with respect to the health facilities.

In the fall of 1981, the General Accounting Office, in a report, questioned the propriety of rural and migrant health centers using grant funds for their primary health services to repay FmHA loans. On November 5, 1981, Administrator Shuman sent out a memorandum which stopped the processing of all community facilities loans for rural and community health centers.

There was only one thing that I think Mr. Shuman should be commended for taking action—fast action in trying to stop any appearance of impropriety. However, he forgot that the other partner was the Department of Health and Human Services. Consequently, what happened—some of the rural and migrant health centers undertook interim financing with private lenders relying in good faith on funds that had already been obligated.

I still—to receive a list of those centers from the Farmers Home Administration of those centers that are now having June 30, the deadline for a balloon payment on an obligation that they relied on Farmers Home for.

We are now chasing an elusive memorandum of undertanding with the Farmers Home Administration. Even though Farmers Home Administration has the statutory discretion to provide up to 40 years of amortization period, they are restricting it to the maximum of 20 years in increments of 10 and 15 and 20 years, giving priority to those centers which are almost financially independent.

The existing proposal that is now pending before Assistant Surgeon General Robert Graham of the Department of Health and Human Services would effectively exclude 85 percent of our rural health centers and 90 percent of our migrant health centers. That is the commitment that the Farmers Home Administration at this time has to our rural communities.

With that, I conclude my testimony. Thank you very much.

[The prepared statement of Mr. Arrendondo appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Arrendondo. We appreciate your statement and your being here today.

Now the panel is ready, and the members of the subcommittee who are here can do the questioning, and I yield 5 minutes to Mr. English.

Mr. English.

Mr. ENGLISH. Thank you very much, Mr. Chairman.

One point that I would like to make is that in listening to your testimony, I did not hear any of you who did not allude, to one degree or another, to the difficulties as far as rural development is concerned being related to the administration, to either the Farmers Home Administration, Mr. Shuman, or the people who are running the program.

The question that I have in my mind is, this legislation is not going to change the people who are running this program. Only the election may do that at the end of this year.

But if the same people continue in the program, can any of you tell me how this legislation is going to require them to act differently than they are now? How is it going to change their philosophy? How is it going to change their attitude? How is it going to prevent situations developing as we had develop late last year in which we had to take the Secretary of Agriculture to court to get him to implement the program?

That is where I think much of the difficulty that I hear focused seems to be aimed at, or at least to be originating from.

Mr. Murray, you were particularly hitting hard on that area. I would be happy to hear your response.

Mr. MURRAY. I really don't have a good answer for you.

I remember when the Rural Development Act of 1972 passed. We had a lot to do with that, and they said then, well, Mr. Nixon is in office, and nothing is going to happen.

Well, the Secretary of Agriculture ignored it for a while, but everybody felt it was better to have it on the books because maybe sometime somebody would come along, and there would be the authorities, and they were marvelous authorities.

So it seems to us that you are right, that these people have not shown any great enthusiasm for implementing the programs that they have now.

But really, there is so much dissatisfaction on the part of farmers having to compete with the nonfarm programs and dissatisfaction among the rural development clientele, that it just seems to us to make good sense to do something about that problem, and I think the farmers will be much better satisfied and the rural development clientele will be better satisfied, even if the programs continue to operate at a snail's pace.

I'm thinking of the B&I program—the business and industrial development program—which to me was the most important part of the Rural Development Act, because there wasn't any kind of financing out in rural areas like this program.

Up till then, the Department of Agriculture had all kinds of other programs, but it couldn't finance rural enterprises like that, and this gentleman down at the end mentioned that.

It seems to me, if you had a Rural Development Administration and you—you meaning the Congress—had appropriated $300 million, as you did last year and this year, it would be a heck of a lot harder for the Rural Development Administration to lose those funds by Farmers Home taking them and providing farm loans with them.

I would think Farmers Home then would be forced to do what it should be doing, and that is, ask for supplemental appropriations.

If you had a Rural Development Administration, you would have people working for it whose job description said, "We have to do rural development with this money; we have to implement these programs."

While you are right that they probably would operate at slow speed, you would give some continuity to rural development that it doesn't have to today. It seems to me it is in danger of disappearing where it is now.

Mr. ENGLISH. Isn't it true though—and let me say this from the outset, too; I have no problems at all with rural development; I support rural development and have ever since I have been in Congress; the question is whether I want to take away from agriculture programs.

Mr. MURRAY. We don't want to take anything away. We want to strengthen the Department, and this would strengthen it, in our opinion.

Mr. ENGLISH. Well, as I said, I have no—if you want to separate out the farm from nonfarm programs—and I have no particular objection to that either, but it appears to me that rural development funds have always been particularly vulnerable if you have this sort of philosphy, the philosophy of the present administration, the present Secretary, and the present Director of the Farmers Home Administration, due to the fact that these are discretionary funds.

And they are even, I think, vulnerable from the standpoint that any time you get into a tight budgetary situation, they are very inviting for that very reason, they are easy targets, and that is what I think may be part of the difficulty as well as this fact that you have got a philosophy within the administration that they just don't like it, and they are going to do everything they can to resist it, and I think they have been doing this.

As I said, I don't think that applies strictly to rural development; I think it also applies to many other agriculture programs as well, as the case I cited about having to go to court to get them to do the Farmers Home thing.

But I guess the thing we come down to is the question of approach—what we ought to be doing and how we ought to be directing attention toward it, and I think some recognition of the fact that until you have a change of philosophy within the department itself, you have got a real problem.

Mr. MURRAY. Yes, you are right, and actually I think the Secretary of Agriculture could do this restructuring himself without this bill.

Mr. ENGLISH. I agree. That's exactly the point. The problems, I think, would be more quickly solved and more readily solved probably if you had a different Secretary of Agriculture who was supportive of rural development as opposed to passage of any of this legislation.

Mr. MURRAY. Well, not many of them last more than, well, 8 years at the most.

Mr. ENGLISH. Hopefully.

Thank you very much.

Mr. JONES of Tennessee. Thank you, Mr. English.

Mr. Watkins, do you have some questions?

Mr. WATKINS. Yes, Mr. Chairman.

I think it's a very good point. You know, personally I hope this administration doesn't stay in past November or so, but we don't know who is going to be in there, and we haven't been treated too kindly under any of the administrations.

I was very appreciative here, just like I feel, very strongly, that we want to strengthen rural development not at the price of agriculture, and we are not trying to elevate it above agriculture at all.

But Mr. Murray, you are right; if the administration would have come to our appropriating subcommittee for a supplemental for farm loans, we would have been happy to have granted that, but they are hiding behind shifting money, so it makes them look good, and then they actually rape rural America, literally. They take away water and sewer money; they take away housing money, et cetera.

We all want the adequate agriculture loans made, and I think we on the Agriculture Appropriating Committee, in all due respect, serve that purpose and would provide that money for them if they would just only come forward, above board, and tell the American people they have got to have more money instead of skimming it off under the table over to the other sector which needs it also.

So I agree with you on the supplemental. We would have been happy to work on that.

I would like to ask Mr. Boothby, under the RC&D program, how many dollars were recommended by the Carter administration for RC&D?

Mr. BOOTHBY. Zero dollars, as I recall.

Mr. WATKINS. How many dollars were recommended by the Reagan administration?

Mr. BOOTHBY. Zero dollars, sir.

Mr. WATKINS. So basically——

Mr. JONES of Tennessee. Why don't you go on back, Wes, while you have started, and ask some more?

Mr. WATKINS. We can go back. That's the point I'm wanting to make.

You know, if we are not all working together, even on a program that we all feel is very vital, if the Appropriations Committee wasn't there, especially under the leadership of Jamie Whitten there, working with all of us, we wouldn't even have RC&D in existence.

The very same way with the B&I. As you well know, they recommended zero dollars, and as a result, we haven't had basically any program initiated because—not a very effective long-range program, because they keep shutting it down; isn't that correct?

Mr. BOOTHBY. Yes.

Mr. MURRAY. I'd like to follow up on that point that you made about rural development strengthening the Department.

Back in 1972—and Mr. Glickman referred to the plan by President Nixon to abolish the Department of Agriculture. I know Charlie Boothby and I worked together in an organization called Friends of USDA, and most of those groups were nonfarm groups. So we had not only the farm groups but the nonfarm groups, and it was because of this wide interest in USDA that we were able to thwart Mr. Nixon's plan, which was actually achieved by the passage of the Rural Development Act.

If it hadn't been for the Rural Development Act and section 603, there wouldn't be a Department of Agriculture today, in my opinion. It just came within one or two votes in the Rules Committee, and Mr. Poage was the hero of that day when he out-talked Congressman Chet Holifield, who was trying to get his bill up before the Rural Development Act, and if that had happened, Mr. Holifield had the votes to pass his bill to, and today there wouldn't be a department to argue about.

Mr. WATKINS. I agree with you. And if we didn't have the focus on the Rural Development Act of 1972 happening at roughly the same time——

Mr. MURRAY. This, I think, will strengthen the Department.

Mr. WATKINS. Yes, I agree.

The rural water districts out there can help us strengthen the thrust for the agriculture bill; it includes all of it—the public works areas, the technology areas, the rural electrics. All of us working together with a coalition out there will give us a broad body of people, along with the small town mayors, small town city commissioners, school boards, all the others—will give us a stronger voice out there to pass a total bill, not anything basically different than we have right today, because we can fund, up or down, whatever phase of the rural development we want to now over in appropriations under Jamie Whitten, and all of us working together, or we can fund up and down so much in ag.

But we have kept some things alive barely, and some of us who have got, Mr. Chairman, strong agriculture backgrounds realize that we must do that if we are going to be able to overall save even the Department of Agriculture in some future years. Someone can come down the road and say, "Do away with that, too."

I thank you very much for your testimony. I've glanced over most of it. I know we have got to do a great deal more on rural water; we have got to do a great deal more still on rural electric, the public works areas, the economic development districts, the housing.

I know the administration came with a housing program this year. It would have built one house per county—one unit per county—and we had to try to restore that and point out to the American people if that's the housing-type program they have, we might as well shut it all down across America, because we had to try to restore that.

The same thing with water and sewer loans, which are very vital to the economic growth of rural small towns. They lowered that. We had to try to make sure that was stabilized there. If they won't, additional dollars need to come to the supplemental program, like you said, Mr. Murray. Get it on top of the table so we can finance it like it should be.

Mr. JONES of Tennessee. Thank you very much, Wes and Glenn, and thank you, panel, for all that you have contributed to this session here today.

I think the summary that I made prior to our recessing for the noon hour would apply to this group, too, so I'll not be repetitious in doing that, but we do thank you very much.

The next panel consists of a governmental group: Ms. Aliceann Wohlbruck, National Association of Development Organizations; Mr. Barton D. Russell, National Association of Towns and Townships; and the Honorable Charles D. Cook, chairman, Legislative Committee on Rural Resources, New York State Senate.

We welcome you people to the hearing, and we do appreciate very much the time that you have contributed to being here today.

Ms. Wohlbruck, if you are ready, we will start off with you.

STATEMENT OF ALICEANN WOHLBRUCK, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

Ms. WOHLBRUCK. Thank you, Mr. Chairman.

I'm going to just briefly summarize my remarks and ask that they be included in the record.

Mr. JONES of Tennessee. Without objection, your entire statement will be made a part of the record.

Ms. WOHLBRUCK. Thank you.

I am Aliceann Wohlbruck. I am the executive director of the National Association of Development Organizations, and our primary focus is on creating private sector jobs in rural areas and small towns.

NADO was founded in 1967 by a group of economic development districts to encourage the creation and retention of jobs in rural areas and small communities.

Our members today are multicounty planning and development organizations and other State and local agencies that help local governments in the private sector to work together.

Our goal in appearing here today is to reinforce your concern and Mr. Watkins' concern for the needs of the one-third of the U.S. population who live in rural areas.

It has been well stated here, using various statistics, that although agriculture is very important in our rural communities, most of the people who live in rural areas are not directly employed on farms, although many folks depend on agriculture, forestry, or fisheries for part of their income, and most of the people, even the small farmers, depend on off-farm income.

Although there is a Department of Housing and Urban Development, there has been to date no Department of Agriculture and Rural Development, and some people don't even understand how rural and development can be together, because rural and development, sometimes people think that's an improper mix.

But our concern as an organization—our members' concern is with providing an economic base in rural communities so that the agricultural part will be strong and that other people will have employment, housing—jobs.

We are pleased to see Mr. Watkins' introduction of H.R. 5024. He was a NADO member in another life, so I think he learned very much from the grassroots about the needs for rural economic development.

Our membership and board, however, has not discussed this bill, so we couldn't endorse it, and while we do think that the visibility for rural development within USDA is important, as many folks have spoken about past experience with reorganization efforts, we do worry that if the committee or subcommittee was to spend its time on reorganization efforts, that that might distract you from really mandating that the Department implement the existing programs, of which there are many which would help rural, economic, community, and business development that have been well laid out by other folks before us.

In my testimony, I go through a list of problems that we now have in rural communities, and one I'd like to highlight particularly, on page 3, is the technology problem, which of course is not the concern of the Department of Agriculture, but we have just been successful in getting an amendment into the House Public Works Committee highway bill, with the support of many rural groups, to mandate a study to see how much of the highway motor fuel taxes are paid by rural residents and what they are getting back in the way of Federal aid highway expenditures, because our members have said, and I think you would agree, that this is the key to much of the economic development that can go on in rural communities.

Although we know that your committee is not responsible for all of the rural development programs, I think it is important for every member of this subcommittee and other rural Members in the Congress to realize that the programs that are most helpful to rural economic development have taken severe cuts or are slated for abolition under the present administration's budget.

That would be, they would eliminate the Economic Development Administration, the Appalachian Regional Commission, reduce the funding for the Farmers Home water, waste, and community facilities; abolish the B&I Program and many others.

When we are told to turn to the Housing and Urban Development Department to get aid for small communities, I'd just like to quote from a current GAO report about the UDAG Program that has been mentioned here.

The GAO has documented the fact that UDAG-eligible small cities with populations under 2,500 rarely apply and even more rarely receive funding. Although eligible communities under 2,500 population account for 79.5 percent of the total, they account for only eight-tenths of 1 percent of the UDAG awards, and only 2.2 percent of the UDAG applications. When they do apply, their success rate is only 37.4 percent, compared to 70 percent for communities over 10,000.

So there is a great deal of need out there, and I think Bart Russell from the towns and Senator Cook from the State legislature in New York have some more data on that.

We would like to encourage the committee, as you have in the past, to continue your support for the rural development programs within the Department and, in fact, throughout the Congress, through the appropriations process and oversight, to see that the programs that are now there are administered properly and are made easier for the small local governments throughout the country.

[The prepared statement of Ms. Wohlbruck appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Ms. Wohlbruck. We will take the time to give more credence to your summary—to your statement, at a later date.

Mr. Russell, you may proceed.

STATEMENT OF BARTON D. RUSSELL, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS

Mr. RUSSELL. Thank you, Mr. Chairman.

I'm testifying today in my capacity as the executive director of the National Association of Towns and Townships, which represents local officials from about 13,000 smaller communities across the country, and I, too, will be summarizing my comments this afternoon and would request that our complete testimony be included as a formal part of the hearing record.

Mr. JONES of Tennessee. Without objection, it will be made a part of the record.

Mr. RUSSELL. Mr. Chairman, Mr. Watkins, I appreciate the opportunity to be here today. We have got quite an agenda, and you have had a very impressive list of witnesses speaking. I have been very impressed with their incisive questions which the members of the subcommittee have asked.

I always think that to listen to Mr. Murray from the Rural Electric Cooperative speak is worth the price of admission, but, that said, I'd like to address H.R. 5024 by saying that we, too, have not taken up formal consideration as an association of the bill, but our board will be meeting in early June 1984, so our comments will be preliminary at this point.

We do applaud the efforts of Wes Watkins, as always, to turn the tide against the work done to disenfranchise rural communities of their right to receive fair treatment at the Federal level.

We believe wholeheartedly in the philosophy inherent in H.R. 5024, and that is that the Federal Government must address the development needs of rural communities in a manner that is consistent with its attention to the needs of farm and urban interests. To say that this isn't the case currently is a gross understatement.

Repeatedly, the Office of Management and Budget has moved to cut back or eliminate the minimal level of funding for rural community programs in the Farmers Home Administration. We have heard that said several times today, so I feel in a sense that I am preaching to the choir. But we think that this trend has got to stop if rural communities are going to survive, simply survive the economic distress that they are experiencing in the 1980's.

Mr. Watkins' bill helps bring much needed attention to the current administration policies. NATAT, though, is concerned that Mr. Watkins' efforts may not be enough.

A recent issue of the Washington Post put the situation this way—and I quote, Mr. Chairman:

> Representative Wes Watkins, a big promoter of rural America, has introduced a bill proposing to reorganize the U.S. Department of Agriculture and call it the Department of Agriculture and Rural Development, but he may be too late. The Reagan administration, by executive fiat and budget moves, has worked mightily to dismantle the Department's rural and community development programs.

Mr. Chairman, we share Wes Watkins' concerns and support his efforts to force the administration to pay attention to the needs of rural America.

While we support the concept, however, we believe that we must also concentrate our resources on several other initiatives important to small towns.

In this vein, Mr. Chairman, I would like to lend our support as well to a bill that Ms. Wohlbruck just alluded to, to an amendment by Representative Roy Rowland, which she said passed the House Public Works Committee and which will be taken up on the Floor of the House, we hope, soon, and we would like to request the support of this subcommittee for that effort.

Now to switch gears just a little bit, I'd like to begin our comments on USDA's 1984 rural development strategy by asking the question, where is the strategy?

According to the Rural Development Policy Act of 1980, the strategy is supposed to develop a specific plan of action—I emphasize "specific" and "action"—to alleviate the problems of disadvantaged rural residents, develop a full range of business and employment opportunities, improve State and local government management, strengthen the family farm, and protect natural and environmental resources.

By contrast, USDA's 1984 strategy simply lists Federal programs that are already going on.

Given the depth of the pressures and the problems that I know you know small towns across the country are experiencing, NATAT strongly believes that a far more comprehensive targeted approach to policymaking is needed if we are going to have a truly effective national rural development strategy.

Mr. Chairman, a properly constructed strategy could go a long way to promoting real, positive development in the countryside. Our association believes that a fundamental premise of such a strategy should be that local governments are the lynchpin in successful rural development.

There are over 30,000 units of rural government in the United States today—30,000. They all have the statutory mandate to promote safety, the health, and the welfare of their citizens, and they have also got the specific authority to raise revenues and undertake rural development measures. To use their authority and serve as effective rural development sponsors, many of these rural governments need technical advice and management support.

To develop or to capitalize on the enormous rural development potential which they represent, NATAT strongly recommended to USDA that its rural strategy call for a minimal amount of funding—$5 to $10 million—under its section 11 program, which other people have talked about, exactly the kind of technical assistance program we are talking about, one which would improve the capacity of rural governments in the countryside, to make a difference.

In addition, we recommended that the strategy call for USDA to perform an annual rural impact analysis of the U.S. budget, possibly a naive recommendation but, nevertheless, we think one worth considering, given what has happened in the budgetmaking process to rural areas over the past couple of years.

With respect to funding, we also urged the Department to make a modest commitment to its own rural development grant and loan programs by reinstating funding for those programs, at least to 1980 levels.

Mr. Chairman, if you believe in the basic premise that rural governments represent an important, if not primary element in the rural development process, it would follow that any national rural strategy should follow this theme.

It would also follow, in our opinion, that technical assistance funding for rural governments would be given a priority in such a strategy. This was our recommendation, along with several other groups. However, it was not alluded to, and obviously not included, in the administration's 1984 strategy.

The big cities have programs like UDAG, they are entitled to billions of dollars under the block grant programs, and I don't want to make it an "us against them" situation, but the fact is that rural communities have been left essentially with crumbs by comparison, and the 1984 strategy does nothing to address this disparity.

If it weren't for people like Wes Watkins and others, there wouldn't be community development block grant programs for small communities, which there is a small amount that was set aside back in the late 1970's under an amendment he sponsored.

The strategy points with pride to the administration's involvement in Main Street, negotiated investment strategies, and the enterprise zone initiative, and all three of these programs are excellent concepts, but only those governments with a bare minimal level of financial management skills, or, rather, with a level of financial management skills and entrepreneurial capability are going to take advantage of them.

We talk about Main Street. Many of the communities we represent don't even have a Main Street, so the Main Street Program really is not one geared to their needs.

The strategy highlights a wide and diverse range of technical assistance that is said to be available through the Federal Government already, and again this goes back to our sense that the strategy simply enumerates what the Government is doing already.

But it doesn't look at the kinds of technical assistance that have been provided in terms of the quality of that assistance. Has it been working? Has it been reaching rural communities?

So our policy recomendation would be that we should build in an evaluation of the major technical assistance programs of this Government, since the administration is hanging its hat on them, to see if they are working. At least that would be a wise first step.

On the positive side, Mr. Chairman—I don't want to be a nay sayer entirely—we do applaud the administration for expressing support for activities such as its ongoing rural roads project, which several of our State associations are participating in, and promoting the idea of appointing a rural contact person in each of the Federal agencies.

These, along with some of the other initiatives that I have cited, are certainly worth doing, but taken as a whole, they don't represent a strategy, and this, Mr. Chairman, is our overriding concern.

The USDA strategy, despite its listing of some Federal programs, falls far short in pinpointing what rural development means in our current economic climate and defining what the Federal Government's role should be in helping rural communities develop a strong economic, social, and natural resource base.

Again, the document puts forth several good ideas, but not in the context of a rural development strategy.

As I said, you need to have sufficient resources, and you need to be able to provide a framework for undertaking rural development, but, I think most importantly, you have got to intend to make a difference in rural America. It has got to be your intention to make things happen out there.

I think without the Federal Government serving as an essential catalyst, America's rural communities may become the odd man out in the American social and economic system of the future.

This concludes my comments, Mr. Chairman, and I'd like to thank you and Mr. Watkins again for your interest and concern.

[The prepared statement of Mr. Russell appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Russell. We will hear Senator Cook and then ask the panel.

Mr. Cook, we are glad, very much, that you are here, and I understand that you are a State senator in the legislature in the State of New York.

STATEMENT OF CHARLES D. COOK, MEMBER, NEW YORK STATE SENATE, CHAIRMAN, LEGISLATIVE COMMISSION ON RURAL RESOURCES

Mr. COOK. That is correct, Mr. Chairman.

It is my pleasure, Mr. Chairman, to be here, and I thank you for this opportunity.

Mr. JONES of Tennessee. It is a real delight to have you.

Mr. COOK. I hope that I will not violate the parameters of the hearing unduly if I perhaps range somewhat beyond the narrow subject of the bill in question, but the purpose of appearing before you is to report in some degree on the work of the Rural Resources Commission, which is a joint commission, bipartisan, with equal members of both parties and of each house, and our responsibilities are really to try to develop in the State of New York a rural policy.

It seems to me that Mr. Watkins' bill is a very useful beginning in that direction in the Federal Government, and perhaps it is the beginning of what we think ought to be done in developing some agency in the U.S. Government as well as in the government of the State of New York and the other States that would be coordinators of various policies that impact not only on rural economy but on rural people.

With that opening, I would ask you to engross, if you would, my written remarks into the record of the committee, and then to proceed with some of the comments.

Mr. JONES of Tennessee. Without objection, they will be made a part of the record.

Mr. COOK. Thank you.

I have before me notebooks which contain some of the nine preliminary reports that this commission has developed in the areas of agriculture, economic development, the environment, transportation, health care, housing and community facilities, education, local government, and rural sociology.

The State of New York, as you are well aware, is regarded generally as an urban State. We do, however, have 3.1 million rural people in the State. That is more than the entire population of some 25 other States in the Union, and yet we compose only 20 percent of the entire population.

Consequently, the people in the rural parts of New York as well as the people in the rural parts of the Nation are frequently overshadowed by urban-dominated legislative and executive branches. Thus, political recognition and responsiveness to rural interests has been ambivalent.

Equally important are the changes taking place within the rural community itself—a resource base that is vital to the future of the State and of the Nation, both in terms of the economy and the quality of life.

During the past decade, while the State of New York has been losing 4 percent of its population, the rural counties were actually experiencing a 6-percent population gain. Current growth in New York's rural population is expected to continue into the next century, with a projection citing a 20-percent increase by the year 2010.

While the rural population is increasing, it is also getting older. Growing components of the demography are the people over the age of 65. In rural New York, current projections estimate that this rate will have exceeded the urban elderly population rate growth by a ratio of 3 to 1 by the year 2010.

This trend has serious implications for rural health care, since in the sparsely settled rural population, generally the people have not been well served by the rural health care delivery system.

A wide and growing spectrum of health and human services programs which have been developed over the past 20 years have had only a limited impact on rural people. This problem is further exacerbated by the current emphasis on health care cost containment which too often militates against improved access to health care services for those rural areas with significant needs.

Education has also been impacted by these demographic shifts. At the same time that educational requirements demand increasing sophistication and more diversified cost offerings, school populations are declining, and the competition for public funding with other needs is becoming more manifest.

While the basic demography in rural New York is shifting, its economic structure is also undergoing profound changes. Although the value of its agricultural product continues to increase, the agrarian description that was formerly attached to rural New York is no longer accurate.

Economic diversification is both a reality and a necessity. Agriculture coexists with an increasing number of nonagricultural enterprises which both complement and compete with it. Overall, the number of people actually engaged in agricultural production continues to decline, and I will not recite that since so many other people have said it.

These rapidly changing conditions are challenging the capacity of part-time local officials to coordinate effective solutions. The changes currently sweeping rural America present the need for new community structures. Housing, health care, transportation, social institutions are feeling the influences of these changes.

The point of my remarks is that a concentration purely on agriculture—and in answer perhaps to a question that was asked earlier—a concentration on agriculture or even agribusiness no longer speaks to the world that really exists in rural America, and I would add that I am a former chairman of the Agriculture Committee of the Senate.

For this reason, the Commission on Rural Resources has been deliberate in its efforts to design an interdisciplinary problem-solving approach for rural New York.

The interrelationships between public policy issues and required solutions cannot be addressed in an overcompartmentalized approach. Yet agriculture is and will continue to be the undergirding of the economy and sociology of rural America. We cannot any longer assume, however, that by addressing the needs of agriculture we will automatically be addressing the concerns of a majority of our rural population.

Even within agriculture there are trends that require a broader perspective. We see the family farm, as traditionally envisioned, as a decreasing proportion of our total farm component. Increasingly, agricultural production is coming from either the larger or the smaller farm.

Even when these large holdings are essentially within single-family ownership, they engender different kinds of situations involving labor management, marketing, financing, and a myriad of other situations that do not typically occur in the family-operated farm.

More to the point is the fact that the majority of the farming operations in the United States today are part time. The owners of these farms live in rural areas, participate in agriculture, but have a very compelling economic and often professional interest in other kinds of activities that are taking place and in which they participate.

For these and other reasons, I am delighted to see that the Secretary of Agriculture seems to be moving in the direction of a rural development strategy that is more comprehensive and interdisciplinary, and I believe that Mr. Watkins' bill indicates movement within the Congress in the same direction.

Contrary to any impression that such a strategy may deemphasize agriculture, I feel it really strengthens our national recognition that agriculture is an integrated part of our rural society which, in turn, is an integrated part of our national society.

This strategy will be much more responsive to my constituency than looking at farms as an isolated part of a national or State geography.

Farm people and rural people in general have a deep concern for quality of life issues that affect themselves and their families. The movement of people into and out of employment in agribusiness clearly demonstrates that agriculture cannot continue to be seen as a world apart from the rest of our national concerns.

I therefore respectfully but urgently endorse the rural strategy directions presented by the Secretary of Agriculture and encourage that appropriate funding be channeled to rural programming in accordance with that philosophy.

The proposed Rural Development Reorganization Act of 1984, H.R. 5024, introduced by Congressman Watkins, represents yet another step by our Federal Government to address the current status and the future needs of rural America.

The experience of rural legislators in New York, including myself, strongly suggests that current Federal and State policies and programs have not well served rural constituents. Certainly existing policies will be less responsive in the light of the current trends and future requirements.

Most existing Federal and State programs are not attuned to the circumstances we have found in rural New York. The urban bias I spoke of previously is exacerbated by program regulations that attempt to apply solutions of metropolitan problems and government operations to much smaller rural communities.

In addition, we have found that rural localities are less able to afford the technical and administrative personnel required in order to successfully compete in the marketplace for Federal and State grants.

These proposals as presented by Congressman Watkins and the direction taken by the Agriculture Department, hopefully, will move us toward a more comprehensive, appropriate thrust to policy and program development for rural America. I see this as being potentially beneficial for the more than 3 million residents of New York State whom I represent and hopefully for the rural residents of the entire Nation.

Thank you.

[The prepared statement of Mr. Cook appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Senator Cook, for that very fine statement, and we do appreciate the contribution that you have made plus your experience that you have demonstrated here in the paper that you have given us today.

Most likely, this committee would like to communicate with you at some later date, if you don't object.

Mr. COOK. We would be delighted, sir. We would hope that we could create a partnership of that nature.

Mr. JONES of Tennessee. Very good.

Mr. Watkins, do you have some questions?

Mr. WATKINS. Yes; thank you, Mr. Chairman.

I want to say to Senator Cook that I think there is no place, Mr. Chairman, any better that shows that rural America is live and well.

I know that the mayor of New York, Ed Koch, who used to serve here, wishes he hadn't made his statement in Playboy magazine about those people in upstate rural New York. He would probably be Governor today.

But I think that's that kind of proud. So welcome. We are glad to have an advocate down from New York for the small cities and rural communities and agriculture also.

Ms. Wohlbruck, I want to ask you. You said you hadn't made a decision on this. I know a lot of the development districts across the country. And you hope that we would not distract from the programs at hand by this particular bill.

I don't think we want to distract, but why can't we do better?

Ms. WOHLBRUCK. As you know, Mr. Watkins, some of the most important programs for rural areas we have had to really depend on appropriations for the last 3 years to keep alive.

We can't get authorizations not only out of the House side but out of the Senate side, and, as I said, the board hasn't considered—like forest groups, we will be meeting next month, and we are very grateful, and you know a lot about our commitment to rural development, but I guess it just seems these days the only thing we can get done is through appropriations where things are mandated and they must spend them, and even then, as you know, you have provided appropriations for B&I and it hasn't been spent.

I don't know that—I think one of our problems has been this whole idea that if you are for rural development, somehow you are against agriculture, and that is certainly not—the Senator has made that clear; we are not in that at all.

Mr. WATKINS. Yes; I think the point I would like to make is that I think we have had some mighty strong testimony about it from some groups that I think would be directly affected, and that's why we can't get more appropriations.

If I came just as lukewarm as some have come about this bill, then why should any of us worry about appropriations?

That's the whole point in H.R. 5024, is to try to elevate rural development in our small communities, in our city councils, commissioners, and many others, so that they will have a reason to let the people know in the U.S. Senate and the U.S. House that they don't want to be continued as second class citizens.

I have trouble, to be very truthful, and I will be anxious to see what the development districts do, because I plan to try to survey them myself to see what they want.

Let me ask you another question. If they phase out EDA, like has been proposed and has been talked about, where would you prefer to go?

Ms. WOHLBRUCK. Again, I think our board—and you know most of them, I think, Mr. Watkins—felt like whatever agency was going to do it, we would try to work with them at the local level. That is what our job is, is development organization, to work with whoever it is—if it were in EDA or wherever it would prefer to be.

So we have not taken a position. We think EDA ought to stay where it is, because we have been able to save it as a part of the Department of Commerce.

As you know, Mr. Watkins, the cuts in the Department of Agriculture have all come in the rural development programs during the last 3 years; it hasn't been in the farm programs; but I guess that's what makes us very nervous.

Sometimes if you elevate things, then people have even more of a reason to go after them and try to do away with them. So we have not got a formal position on where EDA should go.

Mr. WATKINS. The point I'm trying to make today is that if Farm Home will not be able to administer EDA—and, Mr. Chairman, if we further erode it, EDA would not be able to be utilized unless we had this kind of bill for rural development.

So even though the administration would prefer that EDA be over there, we may be able to keep it alive under the Department of Commerce for a while longer, but if it goes, we are sunk in rural America unless we do some kind of shifting, because Farm Home cannot administer EDA programs; there's no way they can do it.

I would like to ask my friend Mr. Russell right fast—I appreciate your comment about worrying about the much needed attention about my bill. It may not be enough. I'm willing to do as much as I can, but I hope we don't hide behind the fact that it may not be enough.

You basically said we support the concept. I didn't see your name on the list that you have endorsed the concept. Is that true?

Mr. RUSSELL. Mr. Watkins, I would hasten to point out that the comments about your bill not being enough was really a quote of the Washington Post and was put in, to some extent, somewhat tongue in cheek.

Obviously, we think of you as premier champion of the cause of rural development, and there aren't enough Wes Watkins in Congress, obviously, or else we wouldn't be here today——

Mr. WATKINS. In Congress or outside of Congress?

Mr. RUSSELL. Or outside of Congress—both.

As we also said, our board has a formal but compared to other groups, fairly simple policy-making process. That is to say, a way in which it determines how it will go on a bill, and it simply hasn't taken it up because it won't meet until June 8.

Our President, George Miller, who is from Illinois, when he learned of the bill, immediately called Mr. Evans and Mr. Durbin to express his support—strong support for the concept. So at this point, I think that's clearly a strong step forward.

Mr. WATKINS. If we don't move in some direction like this, I think your last comment or close to last one, without the Federal Government serving as an essential catalyst, America's rural communities may become odd men out—that may be a sexist statement, but in America's social and economic system in the future.

You are right. There is no question in my mind that we are losing. We can't get administered right today under the particular program, even though the Department of Agriculture has been mandated by the 1972, Mr. Chairman, the rural development, we can't get it done under the present structure.

We have got to have a clear-cut office that says, "That's your responsibility," or we are going to continue to be on the back burner or completely off the stove. We won't even be up close to it.

So I hope that your group will look at it and realize that the alternatives could be a total destruction in the years ahead, because some of the programs that you are concerned about and that I am concerned about have been put back in because my Congressman felt that way, not because of strength out in rural America or anyone jumping up and down out there, and those Congressmen are going down by the wayside little by little because they say, "Why worry about it."

That's all I have, Mr. Chairman.

Mr. JONES of Tennessee. Thank you very much, Wes.

I'm going to ask Senator Cook only one question, and it's more political than it is most anything else, but it's important to this subcommittee when we talk about changing the name of the Department and all those things.

Coming from a rural area myself and a State with a heavy rural population—it's about 50/50—and you come a State that's got a rather heavy urban population and also a rural population. As you point out, 25 States in the Nation—you have more rural people than 25 other States do have.

I wonder if you are faced with the difficulties of balancing rural and urban needs in the New York State Legislature.

We face those problems here in the Congress every day. I can cite you examples that folks like myself, Mr. Watkins, and other members of this subcommittee have been faced with as far as the urban votes go from time to time, and I'd be interested in knowing what your experience has been in building coalitions between the rural and urban interests, and do you think that your constituents understand the necessity for building these coalitions?

Now, I have to tell you that in my congressional district where, as I said, it's about 50/50 urban and rural—maybe just a little more rural than it is urban—I sometimes have a problem explaining some of my urban votes.

Mr. COOK. I think, Mr. Chairman, you are absolutely correct that one of the things we have to do is to build an awareness on the part of all the people of the State—New York in our case—of the importance of the rural segment to the entire well-being of the State.

We are far worse off than you are, because only 9 of our 61 Senators come from rural areas, and only 22 of our 150 assemblymen are from rural areas.

One thing that we have attempted to do with these reports—we have gone into the urban centers, including the city of New York, have sought appointments with the media, with television news people, with the editorial boards of newspapers, have tried to get time on any kind of media that we could find, and have tried to stress to them the importance of strengthening the rural component of the State, pointing out to them that this is where the growth is taking place, that this is where the needs will occur in the future, this is where we have infrastructure—if I can use that horribly overused word—but where we do have water systems, and sewage systems, and technology systems that are being overburdened, and that if all of these things are not addressed in some kind of progressive way, that at some point 20 years down the line, we are going to be confronted with the same kind of blight in rural areas that now exist in our urban areas, and the time to start acting on it is to get in on the ground floor today.

I think that we are having some success. I think part of the problem—and this may have been alluded to before—part of the problem of rural people has been perhaps we have been inarticulate in presenting our needs. Perhaps we just simply have not had the documentation.

So it was my determination when this commission began that we would simply document need. That is all that is in these reports. We make no attempt to find solutions in these reports.

We will be going into, shortly, a second phase, in which we will be presenting some proposed action plans to deal with some of the problems we have identified, but I think those two things—first, identifying the need, documenting it in a way that it can be presented to people so that they understand it is there, and, second, presenting it to not only the other representatives but to the urban population, to realize that we are not—as somebody else has said—trying to take something away from the urban people, but only to recognize that there is a terribly large and important segment of our country that has needs that have not been addressed.

Mr. JONES of Tennessee. That's a very good description. I don't believe anybody could put it better. I think we have done the same thing here in the Congress in the last few years.

I'm in my 16th year, and when I came here, it was much more difficult to get a farm bill passed than it is today, and I think we have done the very same thing that you have—that we have prevailed on the urban people and told them the facts of life, and we have supported them in some of the problems that they have had, such as the New York City problem.

I supported New York City; I voted for New York City when they needed money, and I didn't know whether I should or not, as far as it looked back home, but we were able to explain it some way or another, and it went over all right; and I have always been glad I did.

Mr. COOK. So am I.

Mr. JONES of Tennessee. And we get a lot of votes like that today from the urban people that come up for agriculture.

The REA bill recently passed almost 3 to 1 in the House. It's a good example of what takes place here—a good relationship, I believe, between the House Members on both sides of the aisle who are from urban and rural areas, because, we don't have many people from rural areas either.

Mr. COOK. Mr. Chairman, if I may indulge in an example, I was at one point chairman of the Transportation Committee of the Senate, and Metropolitan Transit Authority, of course, is always in need of money, it seems, but we were successful at one point in having added to an MTA appropriation bill a program called CHIP, or Consolidated Highways Improvement Program, and this money gave to all the towns and villages throughout the State some additional funding, tying it in with the fact that we have technology needs in the rural areas that need to be addressed in the same manner that they do in the urban areas, and I think that kind of partnership is really what we are looking for.

Mr. JONES of Tennessee. I think you are exactly right, and I'm glad to see that happen. That's the only way that the rural people can survive, and it may be the only way that the urban people can improve their conditions, too.

[Discussion off the record.]

Mr. JONES of Tennessee. Thank you very much.

The next and final group is the housing group, Mr. Bob Rapoza, National Rural Housing Coalition; Mr. Harold "Hal" Wilson, Housing Assistance Council; and Mr. Joseph A. Shepard and Mr. Charles L. Edson, Council for Rural Housing and Development.

Welcome, folks. We are delighted to have you. My agenda shows Mr. Bob Rapoza. So we welcome you, we are glad you are here, and you may proceed.

STATEMENT OF ROBERT A RAPOZA, LEGISLATIVE DIRECTOR, NATIONAL RURAL HOUSING COALITION

Mr. RAPOZA. Thank you, Mr. Chairman. I'm Bob Rapoza, and I'm the legislative director of the National Rural Housing Coalition and the Rural Coalition. Both organizations are national membership organizations concerned with rural development issues.

I have a prepared statement, which I would like to submit for the record, and I'd just like to summarize now, if I could.

Mr. JONES of Tennessee. Without objection, it will become a part of the record.

Mr. RAPOZA. Both the Housing Coalition and the Rural Coalition were at the forefront of the efforts, Mr. Chairman, to formulate the Rural Development Policy Act of 1980.

One of the outcomes of that act was the requirement that USDA file a rural development strategy report. We thought that requiring the Department to go through the exercise of trying to determine both rural development needs and goals would be useful and important and would serve as a way to raise rural development as an important issue.

We have been very disappointed by the two strategies that have been put out to date. Last year's strategy served as a vehicle to justify the block grants and budget cuts that had been proposed by the President, and I'm sorry to say that we think that this year's report is probably worse.

We think it's worse because, in fact, the tack that this year's report seems to take is to, in fact, define some important issues out of existence.

For example, the strategy report notes that while rural housing standards are somewhat lower than urban housing standards, the differences would be much less pronounced if totally rural areas were excluded, while the fact is that in those so-called totally rural areas you have over 1.3 million households that live in bad housing, and that is out of a total for all rural areas of about 1.9 million households who live in bad housing.

The fact is that, while there has been some improvement between 1970 and 1980 with regard to substandard housing, we still have almost 10 million rural people who live in bad housing, and that is not a problem you can simply say well, we don't have to do any more about; there's a good deal of work that has to be done on rural housing.

The same is true with regard to clean drinking water and waste disposal systems for rural areas. Once again, the report notes that for communities with populations of above 5,500, they have public water systems, and for communities above 2,500, most have wastewater treatment systems.

Well, the fact is, once again, for communities below 2,500, 75 percent drink ground water for water source, and the National Statistical Assessment of Rural Water Quality would indicate that in fact two-thirds of the rural households drink water which exceed one or more reference value for contamination.

The point is here, Mr. Chairman, that it is not sufficient simply to count the number of water or wastewater treatment facilities, that in fact one has to look at the quality of the water that the people drink, and it would appear from the NAS study that in fact we have a serious ground water contamination problem in rural areas.

The other point that I would like to make with regard to the strategy statement is that, in fact, we still have quite a significant incidence of poverty in rural areas. With 26 percent of the population, rural areas have about 40 percent of the Nation's poor; that's over 13 million people; yet in fact when you look through the strategy statement, there is not one word about the poor; there is not one word about what to do to provide jobs, to provide housing, to provide services for the poor, and I suppose you can judge, at least by implication, that in fact serving the poor, trying to help the poor, is not a legitimate rural development goal.

The only goal USDA seems to have with regard to rural development seems to be to get out of it.

As I said before, they have proposed block grant, they have proposed budget cuts, and now with regard to the housing programs, they have proposed to transfer $250 million out of the housing programs to the farm programs.

Well, we support the programs that serve the farmers, but, at the same time, we strongly believe that no one is helped by pitting farmers, who need credit, against people who need housing, and in fact that the administration ought to be asking the Congress for supplemental funds for the farm programs rather than trying to once again wipe out the housing programs.

With regard to H.R. 5024, we support the efforts of Mr. Watkins to raise rural development efforts. We have two sets of concerns regarding the legislation.

One, we think that in fact it is not wise to divide the rural housing programs between the farm and the Rural Development Administration, for lots of reasons.

One, some that run to coordination, some that run to staff expertise and having the expertise at the offices to do housing, but also because we do not believe that the Farmers Home Rural Housing Program overall can survive with the 502 program in one office and the 515 program and the 504 program and the Farm Housing Program in some other office—that there is a critical mass that is necessary to continue to funding for the rural housing programs, and in fact the 502 program makes up two-thirds of that, and we think that it is important that it be kept together.

The basic problem, we think, is that Farmers Home is housed within a Department that is committed to the perpetuation and enhancement of big agriculture, and in fact the problems of rural development and the small farmer are, by and large, not that important to the Department overall, and therefore Farmers Home has a hard time surviving and being responsive to the things that it has to do without the Department seeming to suffocate it.

Thank you, Mr. Chairman. I'd be happy to respond to any questions you might have.

Mr. JONES of Tennessee. Thank you very much, Bob. This is a good paper, and I appreciate it very much, and, as I said, we will make it a part of the record, because there are some valuable figures in it that will be very helpful to us.

I would imagine they are up to date, too; aren't they?

Mr. RAPOZA. Yes.

Mr. JONES of Tennessee. Very good.

[The prepared statement of Mr. Rapoza appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Our next witness is Mr. Harold Wilson. Mr. Wilson, we are glad you are here, and you may proceed.

STATEMENT OF HAROLD O. WILSON, EXECUTIVE DIRECTOR, HOUSING ASSISTANCE COUNCIL

Mr. WILSON. Thank you very much, Mr. Chairman.

If I could, I'd like to summarize my remarks and ask that our full statement be included.

Mr. JONES of Tennessee. Without objection, it will be that way.

Mr. WILSON. Thank you very much.

I'm Harold Wilson, the executive director of the Housing Assistance Council. We are a national, nonprofit housing, technical assistance and loanmaking organization striving to alleviate the housing problems of low-income people in rural America.

We appreciate the opportunity to appear before the subcommittee to comment in a positive manner on the Rural Development

Reorganization Act and the national rural development strategy report.

Let me first address the Rural Development Reorganization Act.

While HAC endorses efforts to improve the effectiveness of rural programs, I'd like to emphasize the importance of careful study and evaluation prior to any major reorganization of the Farmers Home Administration.

Even though the changes proposed in this legislation would seek to create a more efficient delivery mechanism for rural housing and other services, I believe that the following issues ought to be carefully considered and analyzed, the first of which is the staffing consideration of the agency.

We believe that a prime obstacle hindering the Farmers Home Administration over these past years has been inadequate staffing. The agency simply needs more individuals, especially at the county office level, to administer the Farmers Home Administration programs.

Absent staff increases, we are concerned that the dual structure that is proposed may further strain already limited personnel levels within the agency.

In combining the Farmers Home Administration and the Office of Rural Development Policy, one with field staff and the other a Washington, DC based office, certain administrative support services existing only in the Farmers Home Administration might have to be duplicated, and we would simply ask that the Congress take a careful look at that consideration.

The second area that I think ought to be looked at is the housing expertise within the department and the linkage of the various programs.

The proposal would divide Farmers Home Administration housing programs between two different agencies, requiring each to develop its own housing expertise.

Of equal concern is the linkage of housing programs to be located in different agencies and administered by different staffs. As an example, the section 502 Single-Family Home Ownership Program would be in the Farm Administration, while the Self-Help Program would be located in the new Rural Development Administration.

Our concern is that these programs are inextricably linked to each other, and Self-Help applicants may well have to deal with two separate agencies in order to get their loans, located possibly in different communities, and have to comply with two sets of rules and regulations, and we feel that that ought to be looked at quite carefully.

The third is the linkage of farm housing and development programs.

Recognizing historical ties between agriculture, economic development, and other factors in the health of rural communities, Congress combined many of these programs for rural development under one agency.

The agency administers a wide range of programs addressing all sectors of rural society, strengthening the Farmers Home Administration as a full service agency and benefiting rural Americans with a coordinated program of credit and grantmaking activities.

Program divisions between agencies should be carefully looked at to ensure the continued benefit to the rural people of a coordinated rural development loan and grantmaking program.

Finally, supervisory field structures. At present, the existing Farmers Home Administration district offices provide supervisory services for the local county offices as well as processing support for multifamily housing programs.

If these offices are split into different agencies, a mechanism will have to be created to provide the kind of county office supervision that the district offices were providing.

In summary, we endorse the intent of the legislation to enhance rural program delivery, and we believe this concept can be achieved and should be achieved after careful analysis to guarantee that the Farmers Home Administration beneficiaries continue to receive a high level of coordinated program services.

In the meantime, we would like to encourage, though, that the Congress look at increasing the staff of the Farmers Home Administration to adequate levels and to assure the aggressive administration of the existing programs that we currently have.

Now, Mr. Chairman, let me turn briefly to the National Rural Development Strategy Report, if I may. The implications of the report are that this is the first comprehensive look and strategy that has been developed for rural America, and I know this committee does not need to be reminded, but let me comment that our Nation has a long and a proud history of commitment to the people of rural America.

The Federal Government's role in this century dates back to the Country Life Commission in the early 1900's, the Resettlement Administration, and Farm Security Administration of the 1930's; in the 1960's, we saw the President's Advisory Commission on Rural Poverty, in 1972, the Rural Development Act, and this was followed by the establishment of regional commissions and the initiatives of the Carter administration and enactment of the Rural Development Policy of 1979—a significant history of looking at and providing for programs in rural America.

From 1970 to 1980, the Farmers Home Administration made single-family housing loans to over 1.2 million rural families. Before that, the total level had been around 250,000 loans.

Full implementation of the subsidy program for the first time made homes available to very low and low income families. In addition, the Farmers Home Administration embarked on a number of other programs, including rental assistance, the 515 multifamily program, the Self-Help Program, that have provided assistance in rural America.

Mr. Chairman, these accomplishments were only attained through the commitment and the role of the Federal Government, which provided programs, the capacity to carry out those programs, and the funds to see that the programs were effective and worked.

Even though these activities have been going on and there have been improvements in rural America, the report paints a rosy picture of economic recovery and unemployment decline in rural areas absent supporting data. It focuses on the links between agriculture and rural communities, glossing over the depths of the continuing economic depression of the farm sector and other sectors such as housing and health.

To conclude, our agency has taken a look at the 1980 census as it affects rural communities, and as part of that look at the census, we went out and did some field surveys of rural communities.

In one community in the Arkansas Ozarks, I'd like to share with you one paragraph out of a case study of that area. The official of the Area Agency on the Agency observes that housing conditions contribute to the health problems of the elderly in Newton and Searcy Counties. Lack of protection from the elements contributes in winter to a high incidence of hypothermia, and in summer to heat prostration. Rheumatism and arthritis are common, and their effects are more severe for those who must walk outdoors to privies and water pumps.

Indoor pollution from wood and coal stoves contributes to respiratory ailments. The ensuing health problems are made more serious by the lack of doctors in the area. There are only two in Searcy County who attempt to visit the ill in Newton as well, where otherwise there are no currently practicing doctors.

The health officials find that in all northwest Arkansas, the aged of Newton and Searcy Counties are the most in need of in-home medical care.

I think that one comment points out a number of problems that are faced in our rural communities that need to be addressed in an aggressive and in a positive manner.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Wilson appears at the conclusion of the hearing.]

Mr. JONES of Tennessee. Thank you very much, Mr. Wilson, for a very good statement, and we appreciate your being here today.

And now the final witnesses, Mr. Shephard and Mr. Edson.

Gentlemen, whoever comes first.

Mr. SHEPARD. I think that will be me. Mr. Chairman.

Mr. JONES of Tennessee. Mr. Shepard. Thank you.

STATEMENT OF JOSEPH A. SHEPARD, VICE PRESIDENT, COUNCIL FOR RURAL HOUSING AND DEVELOPMENT, ACCOMPANIED BY CHARLES L. EDSON, COUNSEL

Mr. SHEPARD. I'm Joe Shepard, and I'm a developer from Webster Groves, MO, and vice president of the Council for Rural Housing and Development, and it's in that capacity that I'm speaking here today.

I might just interject, following up on some comments that Mr. Rapoza made, that the plight of the rural elderly and poor in terms of their housing is so overlooked on the part of so many people, fortunately not by this subcommittee.

Just some statistics that come to mind—in the Missouri boot heel, that I'm sure that Mr. Chairman is very familiar with, since it's right across the river from Lake County and Dyer County and so forth, that have largely the same kind of conditions—and, by the way, I do develop in western Tennessee and a couple of other Mid-Atlantic States in addition to Missouri—have an incidence of 45 percent of the housing stock as substandard.

That compares with the city of St. Louis, which has approximately 25 percent of its housing stock—which gets a much higher profile—being substandard, and St. Louis County, which is not a part of the city of St. Louis, has two and a half times the population of the city—has only an incidence of 5 percent substandard housing, and yet you find considerably more dollars—total Federal dollars, at least in past years—going to the urban and suburban areas than to the rural areas.

I'm grateful to see any efforts on behalf of—by this committee to help the housing conditions in these rural areas.

As a matter of general background, the Council for Rural Housing and Development is composed of over 120 member organizations in 38 States who are active developers under the section 515 program.

During our 3-plus years of existence, we have been very active in both the legislative process and in working closely with Farmers Home to assure workable regulations and procedures.

In its over 30 years of existence, the Farmers Home Administration has provided over a quarter of a million units of rental housing for rural families and elderly persons with low and moderate incomes.

Housing financed through the section 515 multifamily rental program has a nationwide reputation for being a well managed asset to the community where it is located. The default rate on section 515 housing is virtually zero, a record unmatched by any other form of public or private housing.

In sum, Farmers Home has a long history of providing shelter to the needy rural Americans with maximum quality and minimum financial difficulty.

Speaking for the council, I am pleased to say our relationship with the Farmers Home Administration has been cordial, cooperative, and constructive. The FmHA leadership has kept its doors and minds open to us, its field staff has been a part of the community, it serves every bit as much as our members. Farmers Home has almost always been willing to discuss our concerns and has always listened to our suggestions on regulatory issues.

Given this background then, we are almost tempted to take an attitude of "If it ain't broke, don't fix it." Some recurring trends, however, led us to question if some changes in the organization of Farmers Home functions would not be an improvement and lead us to commend to you the approach of H.R. 5024, the Rural Development Reorganization Act of 1984.

Farmers Home officials have at times expressed to us a concern, which we share, that processing of housing loans is adversely affected by the processing of farm loans, at least on a seasonal basis.

In a typical calendar year, there will be virtually no multifamily housing loans processed during the first few months, as FmHA staff concentrates its efforts on getting the farm loans out.

We are told—and rightly so—that the crops just won't wait. As the season for farm loans draws to an end and State offices are faced with the prospect of having their section 515 funds shifted to other States via the national pool, a frenzy of housing loans processing begins.

A spring ritual for us is to visit the Farmers Home to urge speedier multifamily processing. While some valuable adjustments have resulted, this problem remains.

For example, this year Farmers Home scheduled a preliminary pooling of multifamily housing funds for March 31. As of March 21, only $79 million has been obligated; 8 percent of the year's appropriation of $940 million for rural multifamily housing was spent just 10 days short of half the fiscal year. In that last 10 days however, another $102 million was obligated; about 25 percent more money was obligated in that 10-day period than in the previous 5½ months.

For these reasons, we see significant merit in separating the housing, community development, and business and industry programs from the farm program. We would then have rural development district offices with staffs dedicated to these programs the year round who would not have to diffuse their housing efforts by dealing with pressing farm problems.

We can also see reciprocal advantage for the farm program as well, enabling the Farm Administration staff to deal with pressing farm loan problems on a full-time basis.

There is another area relative to which the proposed change could be helpful. At this time, the administration is making a request to transfer about $250 million of funds Congress appropriated for sections 502 and 515 over to the farm programs.

We question the administration's legal right to make this transfer, and we think it is very bad policy. If more money is needed for the farm programs, then such funds should be obtained through the appropriations process, and not by taking funds from an equally needy endeavor such as housing.

Hopefully, if there are different administrations within the Department of Agriculture, such funds transfer would be more difficult to achieve.

In summary, the Council for Rural Housing and Development commends the concept of separate farm and rural development administrations. We congratulate Congressman Wes Watkins for his attention to this issue and respectfully urge this committee to give it serious consideration.

Thank you very much, Mr. Chairman, for letting us share our thoughts with you.

Mr. JONES of Tennessee. Thank you very much, Mr. Shepard. We appreciate your being here, and you made a good statement.

Should we make it a part of the record also?

Mr. SHEPARD. I used the statement; it was a brief statement.

Mr. JONES of Tennessee. Very good.

Mr. Edson, do you have a statement?

Mr. EDSON. No; I don't.

For the record, my name is Charles L. Edson, of the Washington, DC, law firm of Lane & Edson, P.C. I am counsel to the Council for Rural Housing and Development, accompanying Mr. Shepard, and, unlike many of my colleagues in the legal profession, I have really nothing to say or add to what my client has so eloquently said to you.

Mr. JONES of Tennessee. Well framed.

Thank you very much. We appreciate you being here anyway, Mr. Edson.

Wes, do you have some questions?

Mr. WATKINS. Yes, Mr. Chairman; I do. I'd like to again thank you.

I welcome the housing group here. I think some of you may or may not know, before I came to Congress, I was a construction contractor—a rural housing apartment contractor, basically utilizing a lot of Farm Home programs.

I want to commend you, Mr. Shepard, for your comments. I think you have seen the merit for what I'm attempting to do.

Mr. Rapoza and Mr. Wilson, I'm a little concerned about part of your testimony there. I might say the district offices have set up—Mr. Chairman, you probably remember Jim Smith, who has been in Congress.

Mr. JONES of Tennessee. Yes—very well.

Mr. WATKINS. He was from the hometown where I was living at that time, and I came to Washington several times to encourage the district offices to be set up.

Why? The purpose of that district office being set up—in order to shift some of the—yes, to do some supervising, Mr. Wilson, but also to shift the things like rural water, multiple housing, other things that Farm Home county supervisors might fund maybe one time every couple of years.

As Mr. Shepard can tell you, a county supervisor will not fund a multihousing 515 program every year. You may be able to get one every 2 or 3 years in some counties, but in the 3,000, about 39 or more counties, there is not that kind of money, et cetera.

So basically the districts were set up in order to do those things that do not occur every day. It's just like doing your income tax. If you did your income tax every day, you wouldn't have to go get a CPA to do it; you'd know how to do it; but when you do it one time a year, you end up going down and trying to get an accountant to help you do it.

That's what confuses the county supervisors. It's impossible for them to know and maintain the knowledge of all the programs that have been placed under them over the years.

So recognizing that district situation, let me point out, Mr. Wilson and Mr. Rapoza, that the purpose—and I want to make sure you understood—the housing program would be under one agency, with only the administrative phase of the single-family in 502, which I built mostly, continuing to be administered under the county supervisor.

Now, I'm not real hung up on that. I could shift that all to the district offices; it's easy enough. I left it that way in order for the county supervisor people to walk in on the county and get the single-family housing. If that's a real hangup, I could shift that, along with all housing.

The reason why I didn't bother with the Self-Help is because usually Self-Help is done in clusters. There is usually someone who is administering a cluster of Self-Help, and so going to the district office and processing those is not any difficulty.

So you do not have two agencies actually conducting the loan offices and everything like that. You have a shift of the administrative phase of the 502 on a county basis, and I thought that would be good in order to keep it on a close, local basis in the county.

If that's a real problem, I can shift it all to the district in the bill, but I thought it had some merit by retaining it that way.

I wanted to point that out because, having the experience out there, I have gone in literally also and waited for days, and the paper turned yellow waiting for something to be processed.

In all respect, it's the best delivery system we have—Farmers Home Administration—but we do not—we shouldn't accept the weaknesses that we have there, and I think, without question, by streamlining Farm Home, letting it become a farm loan office, shifting mainly the rural development housing programs to a rural development administration office, our efficiencies will be increased.

It's like me trying to assign my staff member to two major different function, and usually by the end of the week I say, "Did you get so-and-so done?" and the staff member says, "No; I've been working on all this other; I haven't had time to get on this," the reason being sometimes we feel like we have some unknowns, and all of us will shift our unknowns to the side.

We won't fund—we will not get out there and fund those things that we are still unsure about. It's easier to put them off.

That's why I felt strongly that we shift the rural development activities under one administrative office, so we can basically have someone who becomes very knowledgeable in carrying out that function on a day-to-day basis on a county level. That's kind of the purpose of it, and I wanted to share that with you, because I hope you will not perceive the wrong perception of how this is to be set up.

Mr. Wilson.

Mr. WILSON. Mr. Watkins, thank you very much for those comments.

I think we share the same concern about rural development, and I think we share the same concern about the value of the Farmers Home Administration and the value of the delivery mechanism of that agency, and we would like to offer to work with your staff, and to meet with you and your staff, and talk about the issues that we have raised in our comments today, and maybe share with you some of our expertise in the area, and hope that we can reach some of those common goals by working with your staff and sharing some of our information with your staff, and we would be happy to do that.

Mr. WATKINS. Also, do you understand how the Appropriations Committee works?

On my subcommittee, we have all these line items listed. We are not changing any of that. We still have 502 single families; we still have 504 now. We would come right down through there, and we would put the figures out there, and the only difference would be administering—like the 502 figure would be on the county level; there would be a directive there saying it is administered on that level.

You wouldn't have any deviation on the financing mechanism like you have today, with one of them being with the rural development administration, and all items listed under it, and others the

Farm Administration, all items still listed with it—the same way we do today. So it's not going to weaken any of the position of housing, to say the least.

I think if we can get all of the people out there in rural America working and backing a rural development agriculture bill, we are going to strengthen our effort and what money we can get, and not end up having the administration divert moneys away—have them come to us and say, "We've got to have a supplement for this program," not just take it away from other citizens in rural America.

Mr. Chairman, that's all I have.

I appreciate all of your interest in housing. It's vital; believe me. In Tennessee and Oklahoma, I still have one of my counties as high as 10 percent plus with people who do not have running water.

You know, you do not have that in the urban centers of America at all. We still have got quite a ways to go to get adequate housing and adequate shelter.

Thank you for keeping pushing. I think we can work something out for everyone.

Mr. **Wilson**. Thank you.

Mr. **Jones** of Tennessee. Thank you very much, Wes.

I want to say to you, I thank you sincerely for spending the day with us. I know you didn't have to, but I know your dedication and sincere interest in this bill and what we are trying to do here.

Gentlemen, thank you for your patience and being last on the program today. We will try to put you first the next time.

I ask unanimous consent to insert the statements of Sandra S. Osbourn into the record. Without objection, it is so ordered.

Mr. The meeting is adjourned until the call of the Chair.

[Whereupon, at 5:10 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Submitted by Mr. Watkins

Testimony on behalf of H..R.5024,

The Rural Development Reorganization Act of 1984

Before the House Agriculture Subcommittee On

Conservation, Credit and Rural Development

Wednesday, May 16, 1984

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you today on behalf of H.R. 5024, the Rural Development Reorganization Act of 1984 and the Office of Rural Development Policy's rural strategy report, "Rural Communites and the American Farm: A Partnership for Progress" which was made available a month ago today.

In view of the context of the report and it's very title, I feel the two are intertwined. On page 3 of ORDP's report, we read:

> "Because off-farm income (over 60 percent today) has become so critical to the farmer's economic survival, and because agricultural production remains so vital to the rest of the rural economy, an economic partnership between the farm and the rural community has become essential to the progress of both these rural institutions. More effective use of existing Federal assistance will enhance this partnership."

I have supplied to Members of the Subcommittee a brief letter which outlines some of the groups and organizations supportive of the concept of H.R. 5024. I repeat them here for the record:

American Planning Association,
National Farmers Union,
National Rural Electric Cooperative Association,
Americn Farm Bureau Federation,
National Rural Housing Coalition,
National Shortline Railroad Association,
Texas' Council of State Community Affairs Agencies,
National Rural Water Association,
American Agriculture Movement, Inc.,
National Milk Producers Federation,
National Association of Towns and Townships,
Southeast Georgia Area Planning and Development Commission,
National Grange, and
National Farmers Organization.

You will hear from most of these groups today as well as others.

Before I was elected to the Congress, I was a home builder and realtor. Before that, I organized and served as director of one of the first Economic Development Districts in Oklahoma. I have two degrees in Agriculture from the Oklahoma land-grant college. Before

THAT I WAS A FARMER AND THE SON OF A FARMER WHERE, WHEN WE HAD TO GO FROM ARKANSAS TO CALIFORNIA IN THE DEPRESSION TO FIND A JOB, WE KIDS DIDN'T KNOW WE WERE POOR BECAUSE, IN A COLD-WATER FLAT IN OAKLAND, FOR THE FIRST TIME WE HAD INSIDE RUNNING WATER.

THE POINT I AM MAKING IS THAT I KNOW RURAL AMERICA AND HAVE LIVED MOST OF THE PROBLEMS THAT A LOT OF OTHER PEOPLE JUST READ ABOUT.

THE PEOPLE OF THE THIRD DISTRICT TELL ME THAT THEY NEED JOBS, THAT THEY NEED AN AGENCY WHICH HAS A SOLE MISSION OF DEALING WITH AGRICULTURE, THAT THEY NEED HELP IN HELPING THEIR COMMUNITY GROW. I THINK H.R. 5024 IS A STEP TOWARD THAT END.

WHEN A FARMER GOES INTO THE FARMERS HOME OFFICE, HE DOESN'T REALLY CARE TO FIND OUT THAT ALL THE PERSONNEL ARE TIED UP WITH A WATER OR SEWER PROJECT; HE'S GOT CROP PROBLEMS AND AS YOU KNOW, WHEN ITS TIME TO SOW OR TO REAP, IT CAN'T WAIT. ON THE OTHER HAND, WHEN A RURAL DEVELOPMENT PROJECT IS TIMELY THE PEOPLE WHO ARE TRYING TO GET THE PROGRESS MADE SOMETIMES CAN'T BE HELPED BECAUSE THE PERSONNEL ARE TIED UP WITH FARMERS' PROBLEMS.

H.R. 5024 WOULD CORRECT THAT IN THAT IT PROVIDES FOR:

1. THE CURRENT FARMER'S HOME ADMINISTRATION (FMHA) WILL BECOME THE FARM ADMINISTRATION WITH JURISDICTION OVER THE PRESENT AGRICULTURE LOAN PROGRAMS.

2. THE FMHA INGREDIENTS FOR RURAL DEVELOPMENT WILL BE COMBINED WITH ASSOCIATED MEASURES FROM THE RESOURCE, CONSERVATION AND DEVELOPMENT PROGRAM, TECHNNICAL ASSISTANCE AND PLANNING FUNCTIONS OF THE OFFICE OF RURAL DEVELOPMENT POLICY TO FORM A NEW RURAL DEVELOPMENT ADMINISTRATION (RDA). FMHA, WITH SOME OF ITS ADMITTED FAILINGS, STILL HAS THE BEST DELIVERY SYSTEM AVAILABLE IN RURAL AMERICA. WE WANT TO KEEP IT THAT WAY AND STRENGTHEN THE ROLE OF SERVICE DELIVERY TO FARMERS WHO NEED ALL THE HELP THEY CAN GET THESE DAYS.

3. Current FmHA district offices will become the delivery system for the Rural Development Administration. The RDA District offices will work directly with the RC&D Councils, the Economic Development Planning organizations, and the people of rural America for a better life.

4. RC&D Councils will continue as volunteer groups working with local units of government and the people for a better life. Soil Conservation Service technicians who work as RC&D Co-ordinators will continue in that capacity and where possible be further trained to involve themselves in the associated measures aspects of rural development.

5. Two categories of FmHA loans will be transferred to the Soil Conservation Service (SCS); watershed protection and flood prevention and resource conservation and development loans. These are currently completred with technical assistance and planning by SCS and administered by FmHA.

6. The bill calls for renaming the Department of Agriculture the Department of Agriculture and Rural Development. The reasoning behind this action is that the city cousins have a Department of Housing and Urban Development and that one third of America - those who live in Rural America - should have at least a part of a cabinet level department which has the emphasis on rural development.

In the draft language of H.R. 5024, I had proposed that all FmHA housing programs with the exception of Section 502 single-family dwellings be transferred to the new Rural Development Administration

TO BE IMPLEMENTED AND ADMINISTERED ON THE DISTRICT LEVEL. THIS WOULD LEAVE SINGLE-FAMILY HOMES ON THE COUNTY LEVEL, WHERE HOUSING COULD BE EASILY ACCESSIBLE TO THOSE WHO QUALIFY FOR FMHA FINANCING. SINCE THAT TIME, MY GOOD FRIENDS WHO ARE POTENTIAL HOME BUYERS AND THOSE IN THE HOUSING INDUSTRY HAVE TOLD ME THAT TO SPEARATE THE PROGRAMS WOULD NOT BE GOOD AND THAT HOUSING AVAILBLE ON THE DISTRICT LEVEL WOULD WORK NO GREAT HARDSHIP. THEREFORE, I AM AGREEABLE TO LISTENING TO FURTHER DEBATE ON THIS PARTICULAR PART OF THE PROPOSAL.

WE ALSO PROPOSE THE LATERAL TRANSFER OF SUCH PERSONNEL AS NECESSARY ON THE STATE AND NATIONAL LEVEL, PLUS FMHA DISTRICT PERSONNEL, WHO ARE NOW PROIVIDNG THESE SERVICES TO THE APPROPRIATE NEW AGENCY. IT IS PROPOSED THAT THE SPECIALISTS NOW WORKING WITH SPECIFIC PROGRAMS CONTINUE IN THAT SPECIALTY AT THEIR NEW ASSIGNMENT FOR AN ORDERLY TRANSITION AND TO SEE THAT SERVICE TO THE PEOPLE IS NOT DELAYED.

THE PROPOSAL LEAVES INTACT THE FEDERAL CROP INSURANCE PROGRAM AND THE RURAL ELECTRIFICATION ADMINISTRLATION.

I FEEL, AND THOSE WHO UNDERSTAND THE PROPOSAL AGREE, THAT THIS WILL BE GOOD FOR EVERYONE.

AGRICULTURAL PRODUCERS WILL NOT HAVE THE FORCES OF THEIR ASSIGNED PERSONNEL DILUTED AND THE DELIVERY OF AGRICULTURE PROGRAMS WILL BE STREAMLINED.

THE RC&D COUNCILS' ROLE WILL BE EMPHASIZED AND STRENGTHENED.

THE PROPOSAL WILL GIVE A MORE COMPREHENSIVE THRUST TO THE SOIL CONSERVATION SERVICE.

AND, FINALLY, THE PROPOSAL WILL FOR THE FIRST TIME PROVIDE A SOLE-SOURCE AGENCY FOR DELIVERY OF RURAL DEVELOPMENT PROGRAMS TO THE 80 MILLION PEOPLE WHO HAVE THE HOPES AND DREAMS OF CONTINUING TO LIVE AND WORK IN RURAL AMERICA WITH A VASTLY IMPROVED ECONOMIC AND SOCIAL CLIMATE.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, AGAIN THANKS FOR AFFORDING ME THE OPPORTUNITY TO APPEAR AND I'LL BE GLAD TO REPOND TO ANY QUESTIONS PERTAINING TO H.R. 5024 AS I ENVISION IT.

NATIONAL
FARMERS
UNION

STATEMENT OF

PAUL R. SACIA
ASSISTANT DIRECTOR OF LEGISLATIVE SERVICES
NATIONAL FARMERS UNION

BEFORE THE

HOUSE AGRICULTURE SUB-COMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT

CONCERNING

THE RURAL DEVELOPMENT REORGANIZATION ACT OF 1984

WASHINGTON, D.C.
MAY 16, 1984

Mr. Chairman and Members of the Subcommittee:

The National Farmers Union appreciates the opportunity to express its strong support of H.R. 5024, the Rural Development Reorganization Act of 1984 before your committee today.

The Farmers Home Administration, since its authorization in 1946, when it replaced the Farm Security Administration, has been given increasing responsibility in a wide range of activities for serving rural America.

Today the farmer's loan program of FmHA has become a small portion of its total annual loan portfolio. The myriad responsibilities of FmHA has greatly weakened the agency's ability to administer ownership and operating loans. The General Accounting Office has documented the inadequacies of FmHA's performance in farm loan supervision. At the same time, Congressional hearings have demonstrated that USDA has been unable, or unwilling, to carry out a coordinated rural development program.

In March, at the National Farmers Union convention in New Orleans, our delegates made clear what they believe should be the responsibilities of a reorganized farm loan agency. The national delegates stated as policy that:

"The Family Farm Recapitalization Administration must:

1. Be restricted to the assistance of family-sized farm units, as the lender of last resort.

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2. Provide supervised loan programs for the recapitalization of family farms.

3. Have authority to provide long-term real estate loans, with adjusted interest rates and flexible repayment schedules in accordance with the producer's annual net farm income and crop production to assist undercapitalized and beginning farmers.

4. Have authority for production (operating) loans at adjusted rates and flexible repayment schedules.

5. Be authorized to develop innovative programs of finance and assistance for land transfer between generations and the establishment of new farm units, including programs such as the Saskatchewan Land Bank.

6. Work closely with state programs designed for beginning and undercapitalized family farmers, and be able to supplement and guarantee such state programs.

7. Become the primary agency within USDA for researching and developing programs and policies towards the goal of providing security for the family farm system of agriculture."

To a large degree, H.R. 5024 addresses the concerns expressed by our members in New Orleans. Our only substantive problem with the bill lies in changing the name of the Department of Agriculture. While the Farmers Union would not oppose this legislation if the proposed name change did occur, we believe that trying to develop a name that is representative of the Department's wide range of responsibilities would simply be an exercise in semantics and could impede the progress of this very important bill as it proceeds through Congress.

There is no need to document before this committee the crisis atmosphere that exists in rural America. We believe H.R. 5024 can be very helpful in at least creating a more effective delivery system to a constituency that cannot afford inefficiency and unresponsiveness.

Thank you for your consideration.

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION TO THE SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT OF HOUSE COMMITTEE ON AGRICULTURE REGARDING THE RURAL DEVELOPMENT REORGANIZATION ACT OF 1984

Presented by

Mary Kay Thatcher, Assistant Director, National Affairs Division

May 16, 1984

Mr. Chairman and members of the Subcommittee, Farm Bureau appreciates the opportunity to present testimony on the "Rural Development Reorganization Act of 1984."

The American Farm Bureau Federation is the nation's largest general farm organization with a membership of over 3.3 million families in 48 states and Puerto Rico. Farm Bureau members produce virtually every type of commodity grown on a commercial basis in the country. County, state and national Farm Bureau policy is developed by the producer members.

The Farmers Home Administration was originally created for one purpose--to make loans to depression-stricken farm families. Today, although FmHA still aids family farmers, its resources are not concentrated on aiding family farmers because its programs have become highly diversified. Programs which require not only funds, but time and effort of FmHA personnel include: home ownership loans, rental housing loans, mutual self-help housing loans, congregate housing loans, water and waste disposal loans, energy impact assistance grants, community facility funding, business and industry program funding, watershed and flood prevention loans, and resource conservation and development loans.

These programs all draw on the time that FmHA personnel at the national, state, and especially local levels have to spend on the agricultural credit programs--those programs which FmHA was originally established to address.

In fiscal year 1983, FmHA's Rural Housing Insurance Fund, spent mainly on various housing programs, had a reimbursement for losses exceeding $1.1 billion. The Rural Development Insurance Fund, spent on alcohol production, community facility, and water and waste disposal loans, had a reimbursement for losses exceeding $336 million. At the same time, the Agricultural Credit Insurance Fund, which funds farm ownership and operating loans--which should be the backbone of all FmHA funding--had a reimbursement for losses of only $682 million. This included funding for soil and water loans, Indian land acquisition loans, recreation loans, and others.

Our point is simple, farmers could be aided much more if FmHA did not have to spend so much time and money on all the non-farm programs presently administered by FmHA.

A discussion one of our State Farm Bureau Presidents had with his county FmHA personnel provides specific example. He complained of the long periods of time farmers had to wait before hearing from FmHA about their loan applications. The farmer pointed out that forcing a farmer to wait until mid-April to see if his operating loan would be approved was too late in the year. He was told that one of the biggest time constraints was the fact that at least two days each week were spent on housing loans.

We must not let this continue. The answer to aiding more farmers is not simply more money--it is better and faster servicing by FmHA personnel.

Farm Bureau is pleased to comment on Congressman Wes Watkins' bill to reorganize the Farmers Home Administration. The thrust of the proposal would shift the non-farm programs of FmHA to a new division in the USDA. It would also shift soil and water conservation loan programs to the Soil Conservation Service. Farm loans would be handled by the present county and state employees. All rural development loans would be handled at the district level (former FmHA district offices). H. R. 5024 would do the following things:

1. The Department of Agriculture would be renamed the Department of Agriculture and Rural Development.

2. The Farmers Home Administration would be renamed the Farm Administration. The Office of Rural Development Policy, would be renamed the Rural Development Administration.

3. The Farm Administration would have control over the following programs: Farm Operating Loans, Farm Ownership Loans, Emergency Disaster Loans, Economic Emergency Loans, Guaranteed Emergency Livestock Loans, Soil and Water Loans, Irrigation and Drainage Loans, Indian Land Acquisition Loans, Grazing Association Loans, Recreation Loans, and Section 502 Home Ownership Loans (provides Rural Housing Loans for single family units).

4. Transfers Resource Conservation and Development Loans, and Watershed and Flood Prevention Loans to the Soil Conservation Service.

5. The Rural Development Administration will have responsibility for the following programs: Business and Industry Loans, Community Facility Loans, Rural Housing Programs, the services now authorized under the Offices of Rural Development Policy, Water and Waste Disposal Loans, Water and Waste Disposal Grants, Rural Development Grants, Rural Development Planning Grants, Energy Assistance Grants and 10 of the 11 Rural Housing Programs (Section 502 Single Family Unit Loans will remain under the jurisdiction of the Farm Administration).

Farm Bureau is pleased to support the concept of Congressman Watkins' proposal. We do, however, have two exceptions to that support. First of all, we do not support his idea of renaming the Department of Agriculture. In addition, we feel a name similar to Farm Finance Administration would more accurately identify the responsibilities of what Congressman Watkins has named the Farm Administration.

Mr. Chairman, Farm Bureau feels that by reorganizing the Farmers Home Administration, local personnel will have much more time to review farm loan applications and to service those loans once made.

We appreciate the opportunity to testify this morning.

national grange

1616 H STREET, N.W. WASHINGTON, D.C. 20006 (202) 628-3507

May 16, 1984

STATEMENT OF JAMES MILLER

Assistant Legislative Director
The National Grange

Before
The House Conservation, Credit, and
Rural Development Subcommittee

RE: H.R.5042
The Rural Development Reorganization Act of 1984

Congressman Jones and Committee Members:

The National Grange is pleased to appear here today and join the list of organizations supporting H.R.5042, the Rural Development Reorganization Act of 1984. The Grange believes that Representative Watkins has made a meaningful and positive contribution to furthering the fundamental goals and programs within USDA. Most importantly, from our standpoint, H.R.5042 would clearly delineate the programs designed primarily for production agriculture, and it specifies the nature of their purposes and clientele.

The National Grange has long supported a Farmers Home Administration that is true to its original mission -- a last resort funding agency for production agriculture. While we see merit to the other programs assigned to FmHA in recent years, the point cannot be overstated that they have siphoned administrative attention from the original mission to other duties only remotely concerning production agriculture.

The Grange supports establishment of separate Administrations for farm program and rural development projects. By separating the functions, more is accomplished then simply moving boxes around in a flow chart. The mechanism will exist to focus attention on the differing goals, and in addition, future programs more attuned to rural economic and social improvement will have a more logical place to be assigned.

The ultimate benefit of this bill to farmers and ranchers needing alternative financing sources is clear. The local Farm Administration office will be one attuned to production agriculture along with a place for rural residents, who are mostly directly associated with agriculture, to secure low to moderate housing financing. The Rural Development Administration office will have a clear mission as well -- to focus on the overall rural economic needs of the area. Farmers and ranchers will have an office where they can expect loan servicing in tune with their individual needs. Community officials will have a similar benefit. And most importantly, the current FmHA employees who are well-versed in either function can devote their time exclusively to their expertise without the encumberance of other program duties not associated with their interests or talents. Properly executed and appropriately funded, the bill envisions a more responsive delivery mechanism for FmHA and other USDA programs.

We would suggest that, anticipating enactment of the bill, provisions be made for a gradual transition to the bifurcated functions currently within FmHA. It seems especially important to phase in the transition so that hasty staffing decisions can be avoided. We would urge that, in terms of the Farm Administration structure, careful consideration be given to current and anticipated workloads facing county FmHA offices brought on by a general downturn in the farm economy resulting in heavy FmHA lending demands. Our members relay to us stories about overworked lending officers who do not have the time to properly supervise loans to clients. The Grange sees this supervisory role as fundamental to the success of the FmHA objective -- establishing farmers on a sound footing and "graduating" these lenders to conventional sources as soon as possible.

If hasty and unwise decisions are made as to staffing needs under the proposed administrative structure, loan supervision will suffer and FmHA baggage will haunt the new Farm Administration

The National Grange also urges a fundamental change in the selection process of county committee members. We urge that county committees be comprised of elected farmers from the community as is the practice in ASCS. The current appointment process insulates county farmers from any meaningful input into their decision-making process. The ASCS system works well because farmers feel truly represented in the administration of programs. The same confidence can be carried into the farm lending function of USDA.

The National Grange believes that the change in the name of the Department of Agriculture to the Department of Agriculture and Rural Development serves no useful purpose and, rather, could detract from the fundamental changes embodied in the bill. The Department of Agriculture is a very encompassing Department, and the proposed name change would still not reflect the true functions of the agency.

In summary, the National Grange sees a good deal of merit in the proposed legislation because it sets farm and rural community programs on a course that will return the programs to their original missions, it provides a more efficient delivery mechanism and the bill simply makes sense. We urge this Committee to approve H.R.5042.

TESTIMONY FOR

DAVID SENTER, NATIONAL DIRECTOR

AMERICAN AGRICULTURE MOVEMENT, INC.

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you today on behalf of favorable consideration of the concept embodied in H.R. 5024, the Rural Development Reorganization Act of 1984. I will also touch briefly on the Office of Rural Development Policy's (ORDP) rural strategy report.

The American Agriculture Movement, Inc., is a nationwide organization of family farmers driven by desperate times and circumstances to organize for the survival of their way of life and their livelihood. Since our formation a few years ago, the agricultural situation in the United States has deteriorated. Even with lower prices for production, higher prices for inputs, continued high costs for the money which we must borrow, we were able to get by because of the appreciated value of our land. Now that has stopped and even reversed and land values are being lowered by Farmer's Home, PCAs, bankers, and private sources. Even good farms in Iowa, Illinois and Indiana are going without buyers. However, appreciation in land values is the only thing that has stopped.

Foreclosures, forced sales, depressed prices, higher costs all continue. The ratio of prices received to prices paid remains in a non-profit condition; we're still going broke.

A large percentage of our membership must deal with Farmer's Home. Anything to improve the delivery of services to the farmer will be of benefit. Anything that helps the town we live in, or near, or where we trade will help us in the long run and thereby reflect in continued bargain prices for the consumer.

Ever since the AAM motored into Washington and into history (and I note some of you were here to greet us), there hasn't been too much doubt about where we stood on the issues. Ask us a question, or just stand still for a minute and listen, and you'll find out how we feel on a number of issues. Members of Congress, the Administration, when we can get to them, and the public know where we stand.

And we stand for improving the lot of the family farmer in America.

Mr. Chairman, you and I know that some of the strongest criticism on the policy of trying to help the farmers comes from the very people who are charged with the responsiblity of helping those farmers. Now, you talk about the fox in the hen house, this is a classic example. To quote Ward Sinclair, an agriculture reporter for The Washington Post, "No government program," he said "should be administered by a nonbeliever."

"You're just gonna have to compete or get out," they tell us.

"There's too many farmers out there," they say, and you and I, Mr. Chairman, know who THEY are.

Well, what they are saying is coming true; we're taking our lumps and if the present conditions continue, there sure won't be too many of us left in another generation. I'm a prime example because governmental policies sent me to town to get a job. My sons, Billy and Danny, won't ever have the opportunity to live and work on a farm because there's no way I can ever make enough money to get back into farming.

I understand that some Members of Congress recently received a letter from an organization on behalf of Japanese farmers. This gentleman said, that added American imports into Japan would mean the death-knell of some Japanese family farmers. I could have told him, if he had asked me, that the policies of the American government was tolling the bell for thousands of American family farmers each year, a rate of attrition which had been going on for over a generation. In 1982, 172,000 farmers left the land.

I have compassion for our fellow farmers who live in Japan and even envy them some of the support they receive from their government. However, I think the concerns of the United States Congress should be for American family farmers first.

The enactment of the concept of H.R. 5024 is a step towards giving the American family farmer the recognition he needs. For the first time, under the administrative changes proposed in H.R. 5024, the farmer dealing with the new Farm Administration will have an agency devoted exclusively to their needs. And, for the first time there will be established a Rural Development Administration to deal with the orderly growth of cities and towns he lives near. And, we even tend to favor changing the name to the Department of Agriculture and Rural Development. Why not? There is the Department of Housing and URBAN Development for our country cousins. And, one out of three of Americans do live in Rural America. As you know, one-third plus one in a House vote can block a constitutional amendment resolution.

ORDP, in the strategy report, points out that rural communities are in a PARTNERSHIP with farms. I am pleased that this fact is recognized. Farmers need adequate roads and other transportation facilities, schools for our kids, sewer and water systems, housing for our families, health care and well-stocked, thriving businesses from which to buy the goods and services we need, AND JOBS. After all, we've got to continue to subsidize the American consumer's dinner table with 60% of the net farm income in 1983 coming from off farm jobs.

But the partnership is even deeper than is pointed out by the ORDP. Because of governmental policies, actions and inactions, the union should be at least a three-way limited partnership which must include the Federal government. We continue to hear about a 'free market'. But, there is never a 'free market' when the State Department, or someone down on the other end of Pennsylvania Avenue, intrudes foreign policy matters into the dairy barns and cotton gins of Tennessee, Mr. Chairman, the soybean patches of Missouri, Mr. Coleman or the wheat fields of Kansas, Mr. Glickman.

Even back in Burleson, which is just a county away from Texas' 17th District, Mr. Stenholm, I felt this Subcommittee and the full Agriculture Committee underestimates the regard in which you are held by your colleagues in the Committee of the whole. I believe that if you draft a bill based on sound principles for the good of a majority, your Colleagues on the floor and others, with sound reasoning in the other Body, will approve that measure. And that holds for this subject or on any other agriculture matter. I believe, if you make the changes outlined in H.R. 5024 and even some more if you think they are needed, this bill will be passed and placed into law and the producer will be better off for it.

As I said, I appreciate ORDP's insight which is reflected by the planning document, but I think we farmers who live in rual America, and rural America itself, has been 'planned to death', going all the way back to the Young Executive Report of 12, 15 years ago. It's time that we get on with doing something about it to try and stop the withering on the vine of the villages, towns and cities where we farmers work, live and buy. For every 7 farmers that go out of business, 1 main street business closes.

And, the reason AAM supports H.R. 5024 is that it provides one agency to deal with farm problems and another agency dealing with rural development. As explained to us, it doesn't cost anymore money; it doesn't add any new programs it merely provides for a more effective delivery of services to those who need, want and deserve them.

We encourage this Committee's prompt action on H.R. 5024 and its enactment into law. We farmers need all the help we can get.

And we need that help soon, Mr. Chairman.

TESTIMONY BY BILL WILSON, PRESIDENT, OUACHITA MOUNTAINS R. C. & D. COUNCIL GIVEN BEFORE THE HOUSE AGRICULTURE SUBCOMMITTEE FOR CONSERVATION, CREDIT, AND RURAL DEVELOPMENT MAY 16, 1984.

Chairman Jones, members of the committee, I thank you for allowing me the time on your busy agenda to come here and give you my views concerning HR 5024. I am a businessman and a farmer from a small community in Rural America, Kinta, Oklahoma. I have come here today to discuss with you Rural Development. As you know for several years now we have had a department of our Federal Government called Housing and Urban Development (HUD). We have never had one department concerned with Rural Development. Lets recommend the formation of (ARD) Agriculture and Rural Development. HR 5024 as it was introduced on March 5, 1984 calls for the administrative reorganization of some parts of the Department of Agriculture. If this concept were adopted it would of course change the name of the Department of Agriculture to the Department of Agriculture and Rural Development.

I stated that we have never had one department concerned with Rural Development. We have had, as you know, Rural Development programs under several agencies, FmHA has had a Rural Development program. They have had so many programs to administer that they have simply not gotten much accomplished pertaining to Rural Development. Soil Conservation Service has had the RC&D Program wich you know has been struggling to stay alive in an atmosphere of antagonism from this, as well as previous, Administrations. What I am getting to is that I think we should follow the plan laid out in HR 5024 and reorganize the Department of Agriculture. This plan does not propose to increase the size of Government but rather to streamline some of the operations within the Department of Agriculture, and strengthen the Rural Development effort. We need, in our rural communities, to catch up with our Urban neighbors, and I think this is a good approach to achieving that goal. Rural America is the life blood of this great country of ours. Let it be the recommendation of this committee that the Federal Government recognize this need and respond to it.

The Office of Rural Development Policy's strategy report this year is entitled Rural Communities and the American Farm: A Partnership for Progress. Rural communities and the American Family Farm,as we know it XX now, are most definately partners for progress. Most small family farmers work of the farm , or the wife works off the farm, to supplement the farming operation. I know this to be true because my wife and I starter farming 14 years ago at Kinta, Oklahoma, and we had to obtain work off the farm to stay in business. Every neighbor I have that is near my age is doing the same thing. I am a past State President of the Oklahoma Young Farmers Association, and have attended several National meetings of Young Farmers Associations. I have had contact with Young Farmers all across this country and this concept is true in every State. The prices of land and equipment have made it impossible for a young couple to go into Farming, unless of course they inherit the farm and can pay the inheritance tax, without some supplemental income. How does rural development fit into this? With more emphasis on Rural Development we can, through good planning, conservation, and development of our Natural Resources, create many new jobs in Rural America. We can attract Industry to our Rural Communities and in so doing not only provide off farm supplimental income for farmers, but we can provide employment for our children as they move into the work force and become productive, tax paying citizens. As a result our rural youth will be able to stay closer to home and make their homes. It will provide a healthier family environment in all America. Young families will be able to get a start in farming and we will be setting the stage for the preservation of the Family Farm as we have known it in America. Without this plan that very institution is in vital danger of becomming extinct. The family farmer has always been the backbone of this country. He has, raised the food you eat, his children have contributed to the labor force needed since the Industrial Revloution, his children have fought and died in conflict to maintain a Free America, he has tilled and conserved America's farm lands, he has provided the Tax Base that has kept our Schools, Roads, Hospitals, and our National Defence going. The Bible, in the first chapter of Genesis, tells us God's plan was for man to have dominion over all the plants and creatures he created on the Earth. The family farmer, I believe, is who God intended to carry out his plan. It is exactly as ORDP seen it. We do have a partnership between the American Farm and our Rural Communities. Rural communities need the family farmer as a consumer of their goods and services, and the family farmer needs the goods and services of the Rural communities.

Now lets talk about RC&D's. In order to achieve any progress in any program you must first have a basic grass-roots organization to lead. The Federal Government can provide personnel who are expert in a given field, can provide money to fund projects, but history has shown that the only effective vehicle, by which these resources can effectively be put to use and any benefit come of them, is a group of people drawn from the citizenry of this country. RC&D's can be that group. RC&D's, where they are organized and working, have already recognized most of the needs of their respective areas and have them listed in their plans of work. Let RC&D's help put this plan into action, we can do it. Let Ouachita Mountains RC&D be a pilot project if you like. Let us show you what RC&D's can accomplish.

While all of us connected with RC&D's don't agree with every word in HR 5024, the RC&D's I have had contact with agree that shifting farm programs to a farm agency and consolidating Rural Development programs under a Rural Development agency is good and long overdue. The conservation and development of our natural resources is vital to the preservation of America. No one has done more in this field than those of us who are associated with RC&D's. What I am saying to you, Mr. Chairman, is that although we may not like everything Mr. Watkins is trying to do, we do know that he is trying to do something to strengthen agriculture, the RC&D's, and rural America. On that we agree. Now I ask this committee to vote to support HR5024. Thank you.

IMPLEMENTING A NATIONAL STRATEGY OF RURAL DEVELOPMENT *

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May 16, 1984

Introduction

These comments summarize observations by myself and other rural sociologists about the process of rural development. After about two decades of study of this process, I am convinced that it should have four major goals and that our Federal government should exercise leadership in promoting each of those goals. These comments are not intended as a critique of past or current Federal policies,[1] rather I want to suggest directions for future efforts toward improving the well-being of residents of small towns and rural areas in the United States.

Rural Problems

The adjective "rural" in our modern society has a somewhat more limited meaning than it had in the past. It once referred to small, relatively isolated, close-knit, more or less self-sufficient communities - communities that contained a majority of the residents of this nation until early in the twentieth century. Today, rural still means small and relatively isolated (at least in a geographic sense), but the terms "close-knit" and "self-sufficient" no longer fit as they did in the past.

Romantic images aside, we know now that many small towns and rural areas in this nation face serious deficits - in jobs and income, in services

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* Comments to House Subcommittee on Conservation, Credit, and Rural Development.

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to meet human needs, in equality of access to resources, and (most critically, I believe) in the sense of "community" or local solidarity that was prominent in the past. Reasons for these deficits are easily identified in reviews of the history of the rural-to-urban transition in modern society.[2] As our nation urbanized rapidly in the nineteenth and early twentieth centuries, many small towns and rural areas were literally "left behind" as people and the control of our economy came to be concentrated in large cities.

A profound "social cost of space" has emerged in small towns and rural areas over the past several decades.[3] A small settlemnet in a remote area experiences this cost directly in several ways: underemployment, poverty, inadequate services, a sharp contrast between the rich and the poor, and sharp cleavages that limit the ability of a community to take concerted action on common problems. The indirect costs are less apparent, but some of these are now being identified through research in sociology and related fields:[4] a higher murder rate in rural areas than in all but our largest cities, a higher suicide rate in rural areas than in urban areas (the reverse of previous trends), a larger percentage increase in the rate of violent crime in rural areas than in urban areas over the past decade, evidence of greater incidence (per population unit) of psychotic disorders in rural than in urban areas, and emerging problems of family and personal disorganization in rural areas where a strong, supportive family system has prevailed in the past. The assumption that rural life, notwithstanding material deficits, supports a more healthy mental life than does urban life is challenged by many recent findings.[5]

Goals

The four essential goals of rural development[6] are jobs and income, improved services, increased equality, and development of "community."

Jobs and income must be the initial focus of an effective rural development policy. A strategy that does not start with jobs, simply does not start. The great transition in our rural economy over the past half-century has been led by manufacturing growth in small towns and rural areas, with a parallel decline in agricultural employment. In recent years the manufacturing boom - some call it an "invasion" of the rural areas by manufacturing firms - has leveled off, particularly in areas of the country where manufacturing has been heavily concentrated in the past, such as the Northeast. Energy booms in the West and in eastern coal states during the 1970s offered only passing relief - and, indeed, a mixed blessing - to some of the rural areas that did not benefit directly from the manufacturing boom of the 1950s and 1960s. Today, as more and more young families are moving into rural areas (or staying there instead of moving to larger communities) because of the sharp decline of opportunities in cities, jobs simply are not available to meet all of their needs. Rural workers face underemployment to a greater extent than do urban workers, and this fact is masked by the traditional pattern of low unemployment in rural areas.

Furthermore, the rural economy is highly unstable today. This is seen clearly in two traditional rural industry categories, namely mining and agriculture, but also in the now-dominant category of manufacturing. As manufacturing employment declined in the Northeast and Great Lakes areas in the late 1970s, many people from small towns and rural areas went west for the energy boom, arriving in Colorado, Montana, and Wyoming, for instance, in time for the energy bust. Where do they turn now? My research indicates that problems of coping with "bust" far exceed the problems of coping with a boom, although the latter cannot be dismissed. A bust means no jobs, or only marginal employment at best - an emerging pattern in many of our rural areas today.

In agriculture, the problems of instability are most pronounced among two groupings: farm workers and relatively small family farms. It is now obvious that a vigorous program to promote off-farm employment in agricultural areas is needed if farm workers are to be able to rise above the abject poverty that characterizes their plight and if small farms are to continue as a modal pattern in American agriculture. The great farming regions of this country face a monumental transition over coming decades, as do the areas where mineral and energy resources are the mainstay of rural economic life. Rural development to promote a diversified rural economy - with diversity as the chief defense against instability in particular industries - is essential if strong communities are to be developed and maintained in these regions.

A development strategy that ends with jobs and income, however, ends! Much more will be needed to redress the gross inadequacies in rural infrastructure and to improve social well-being in small towns and rural areas.

The need for improved services in rural areas has reached, in my estimation, a crisis stage. Space, low population density, and high levels of poverty combine to deny adequate levels of healthcare, childcare, education, and related services to many rural Americans. Distance from urban centers increases the cost, and for many people it decreases the likelihood that services will in fact be delivered. Rural communities, in a period of austerity, likewise, face severe problems in providing police and fire protection, sewage treatment and disposal, and virtually the full range of other public services. In many small communities, increased demands for services in recent years have not been matched by increased availability of resources to provide services. Consequently, public officials face a crisis situation, and in many instances the solutions are not in sight - indeed, the solutions do not exist within the local area.

Inequality is another rural problem, one that receives far less attention than it is due. In our society, there are two major forms of inequality, one that results from the distribution of resources in our economic order and another that results from the circumstances of one's birth. The former is seen in such indicators as an income distribution of an entire population, and the latter in the comparison of groupings in minority and majority statuses (e.g., white, not white). Income equality tends to increase as the average income increases; consequently rural areas, which tend to have lower average incomes than do urban areas, tend to have more income inequality than do urban areas. An obvious implication is that jobs and income can contribute to more equality in rural areas, although the types of jobs and many other factors can have important effects.

Inequality based on other factors - such as race, ethnicity, religion, sex, age, and so on - are "external" inequalities, i.e., these are external to our economic system; but such inequalities, in my opinion, are the chief sources of social cleavage in this society. As a people, we embrace egalitarian ideals, and a prime function of government is to support those ideals. In practice, however, we fall short. The persistence of inequalities based on such factors as race and ethnicity contributes no doubt to the evidence that we stand far from the top among modern industrial nations on several indicators of human welfare. For example, we have intolerably high rates of infant mortality and homicide, and we incarcerate a larger proportion of our citizens than almost any nation (excepting the Soviet Union and the Republic of South Africa).

Within our nation, inequality based on external factors is most pronounced, it turns out, not in the urban population but in the rural population. These inequalities sometimes are hidden in the countryside - hidden by the fact that large proportions of minority groupings are concentrated in cities. The evidence, however, shows clearly that our most depressed minorities - among Black citizens, Native Americans, persons of Spanish heritage, and others - live in our most rural areas.[7] To attack this problem, we must first recognize it. Then we must develop the will and the instruments to engage it in the countryside with at least as much resolve as we have shown in attacking it in cities.

These problems - inadequate jobs and income, inadequate services, and inequality - come together in what I see as a crisis of community in rural America. Rural communities have become more diverse in population characteristics and attitudes, more engaged in negotiations with outsiders, less self-sufficient, and less characterized by traditional social patterns. Accordingly, the ability of community members to act as one when problems and opportunities arise affecting the whole is in short supply. We like to think of rural communities as places where citizens share a strong sense of identity, and where volunteer efforts and self-help networks abound. The evidence gives a quite different picture.[8] Small towns and rural areas often face the same problems as large cities in mustering a consensus on crucial social and economic issues - and they tend to face these problems with fewer specialized resources than do cities. The rural community no longer is a single coherent system of social life; instead it is a dynamic field where special interests and relatively autonomous agencies and firms engage in competition and, to some extent, conflict. Thus, the probability that citizens in small communities will mobilize themselves for effective common action to solve problems and pursue common goals is low in the typical case.

This observation poses a dilemma for those of us who advocate grassroots action as a foundation of democracy. As Arthur Morgan, a great educator and administrator of the Tennessee Valley Authority, demonstrated years ago, the key element in community development is the development of a sense of community among people who live together. Community development in this sense requires will, but also capacity. Small communities today cannot be expected to assert much in the way of common will to attack common problems, given the severe limitations on capacity - limitations in jobs and income, services, and equality. Thus, we cannot simply turn the task of rural development over to the rural communities, with confidence that local action will solve our pressing rural problems.

Instead, we need a two-fold attack, one that combines Federal initiatives with local initiatives - the former to increase resources, the latter to build a sense of community; but these must go hand-in-hand given the nature of rural problems today.

The Federal Role

Rural development, I believe, is everybody's business; and that, I believe, makes it Federal business. Reducing the gap between rural and urban areas on indicators of social well-being is in the general national interest. A concerted attack on multiple fronts is needed. We need rural initiatives in virtually all major agencies of the Federal government - to promote rural economic development, to improve rural services, to attack inequalities, and to stimulate community development. The work in our Department of Agriculture - the continuing work in agencies such as the Economic Development Division of the Economic Research Service, the Federal Extension Service, Farmers Home Administration, the Cooperative State Research Service, and others, and the recent work in the Office of Rural Development Policy - is of vital importance, given, for example, the massive potential of our Land-Grant network for research and extension, a network with presence in virtually all rural (and urban) localities. While coordination obviously is needed, major rural initiatives by other agencies also are important, as the problems and goals I have outlined here reach beyond the scope and mission of any single agency.

In my view, the Federal role must be one of leadership. Otherwise, the forces that have contributed to pressing rural problems will continue to restrict progress in rural development. State and local efforts are vital to the process of rural development, but these must be organized within a context of resolve and action at the national level. One of the most obvious facts of rural life in an essentially urban society is that many problems have their roots not in local areas but in the structure and functioning of the larger society. Rural employment, for example, is intimately connected to the national economic structure. Rural services are affected by organizations that operate in the larger society. Rural inequalities are rooted in nationwide inequalities. While rural areas have special needs that require special programs, many of those special needs require action at the national level. A major component of the Federal role in rural development, therefore, should be one of national leadership in promoting changes that will have special implications for rural problems.

Notes

[1] My review of the current "National Rural-Development Strategy" is in *The Rural Sociologist* 3 (November 1984):384-91 (co-authored by D. Hobbs and J. Christenson).

[2] My observations on this are found in Chapter 7. "Rural Community Change." Pp. 115-25 in T. R. Ford (ed.), *Rural USA: Persistence and Change*, Iowa State University Press, 1978.

[3] See C. F. Kraenzel. *The Social Cost of Space in the Youland*. Big Sky Books, 1980.

[4] I have reviewed this literature in Chapter 2, "Changing Rural Communities." Pp. 20-28 in P. Keller and J. Murray (eds.), *Handbook of Rural Community Mental Health*, Human Sciences Press, 1982.

[5] See M. Wagenfeld, "Psychopathology in Rural Areas: Issues and Evidence." Pp. 30-44 in Keller and Murray, *ibid*.

[5] These are elaborated in my paper, "Social Well-Being and Community." *Journal of the Community Development Society* 10 (Spring 1979):5-16.

[7] See T. Durant and C. Knowlton. "Rural Ethnic Minorities: Adaptive Responses to Inequality." Pp. 145-67 in Ford, *op. cit*.

[8] As noted above in Ford, *op. cit*.

TESTIMONY OF DAVID RAPHAEL

EXECUTIVE DIRECTOR, RURAL AMERICA

BEFORE THE

SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT

COMMITTEE ON AGRICULTURE

U.S. HOUSE OF REPRESENTATIVES

MAY 18, 1984

* * *

Mr. Chairman, members of the Subcommitee, my name is David Raphael. I am the executive director of RURAL AMERICA, a national nonprofit membership organization that represents the interests of people in small towns and rural areas. We appreciate the invitation to appear before you today, and to share our comments about the Administration's recently submitted rural development strategy report, entitled *Rural Communities and the American Farm: A Partnership for Progress.* We commend the Subcommittee for holding these hearings, and for providing an opportunity for ourselves and other public witnesses to comment on the strategy report and federal policies affecting rural America.

With me this morning is Mr. Randy Isaacs, the president of the National Association for Transportation Alternatives, a newly formed association representing a nationwide network of rural, small and specialized transit operators. Mr. Isaacs will be addressing specific rural transportation issues in the USDA report, and commenting on the critical public transportation needs facing rural people.

RURAL STRATEGY REPORT

We have reviewed advance copies of the Administration's report to the Congress on rural development strategies, spoken with staff members from the Office of Rural Development Policy, and have seen some of the public statements surrounding the release of this report. Frankly, we are puzzled about the approach adopted in this year's rural policy statement, and the apparent contradictions between Administration rhetoric and its action with regard to meeting the human and development needs in rural America.

While we are generally encouraged by the overall tone of the report — and particularly in contrast to the one issued a year ago — we are distressed by its failure to deal with critical rural issues through meaningful changes in federal policies, its failure to address the continuing imbalance in the allocation of public services and resources to rural areas, and its failure to acknowledge the seriousness of persistent poverty and human misery throughout much of rural America. We are particularly concerned about the generally sanguine attitude toward the economic health and well-being of rural Americans --- first, because we don't believe the report's impression is accurate, and secondly, because it may serve to justify further reductions in federal efforts to eliminate social and economic inequities.

Those who remember last year's rural policy statement, entitled Better Country, will recall that it combined a rather good analysis of rural problems with a critique of government programs as the cause of those problems, rather than a potential cure. It ruffled more than a few feathers by minimizing the potential of federal policies and programs in addressing rural problems, and by disregarding the role that effective government action has played in improving rural conditions.

This year's approach reflects a new report strategy, if not a new rural development strategy. For one thing, the delineation of needs has been replaced by a listing of claimed accomplishments, and the aggressive, anti-government philosophy has been toned-down somewhat. The central focus of this year's report is the fact that off-farm income is now more important than actual farm income to most farm families. It is this link between farm policy and rural development policy that gives the new report its subtitle and, presumably, accounts for USDA's more positive tone.

USEFUL FINDINGS AND RECOMMENDATIONS

In the interests of time, we will not undertake a detailed section-by-section analysis of the report itself. However, we did want to comment on what we consider to be some of its major achievements and useful findings, as well as a few of its most glaring deficiencies.

In highlighting the interdependency between the farm and rural economies, the Administration helps to emphasize the need for a real partnership between our farm and nonfarm rural sectors, and lays the groundwork for a comprehensive approach to rural problems --- an approach that encompasses broad national economic policies, agricultural policy, tax, land use and social service policies. Too often, rural development needs have been viewed as being essentially in conflict with the needs of the farm community, while farm families and other rural residents have been pitted against one another in a presumed struggle over resources.[1] The rural development strategy report makes a useful contribution in this arena both by noting the increased dependence farm families have on non-farm income, and by committing USDA to an assessment of the impact farm policies have on the non-farm rural economy.

Sadly, however, the report fails to take full advantage of the opportunities presented. The proposed partnership seems to be heading in only one direction. For example, there appears to be little recognition that one of the major factors contributing to rises in off-farm employment for most farm families (as well as the rash of farm foreclosures and bankruptcies) is the current disastrous state of our farm economy and declining farm income, particularly among smaller farm operators. Unfortunately, the Administration fails to commit itself to policies that will insure the survival of family farmers and their ability to maintain adequate incomes from farming operations, without being forced to take second, and sometimes third, jobs in town.

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[1] The most recent example of this is the Administration's own proposal to transfer, evidently without congressional approval, loan funds from the Farmers Home housing programs to its farm loan programs.

Similarly, the impact that declining farm income is having on the businesses and economy of many farming communities is not addressed in this year's strategy. Because of the recognized link between the structure and health of American agriculture and quality of rural economic life, this is a critical omission. In view of the language contained in Section 2 of the Rural Development Policy Act of 1980, which specifically requires the Administration to take into account the need to "strengthen the family farm system," as a part of its rural development strategy, we would urge you to press for a good faith commitment to those provisions.

And finally, we applaud the announcement that USDA's Rural Electrification Administration will conduct a survey of the potential impact of telephone deregulation on rural people, and that it will provide the results to the Federal Communications Commission. In view of the fact that this Administration strongly supported the original FCC decision to establish interstate telephone access charges, however, we think that the Congress will want to take steps to insure that the proposed REA study and recommendations will be as objective as possible and reflect an accurate picture of what is happening in rural areas. Similarly, we would urge the Congress to require that the views of the full range of rural telephone users be included in the survey — including farm groups, the elderly and other rural consumers — in addition to industry representatives.

OMISSIONS AND DEFICIENCIES

As noted above, we believe that portions of the report will make useful — though modest — contributions to the goals of the Rural Development Act. Other features exhibit a tendency toward, what can be charitably characterized as, extreme hyperbole; the inflation of the routine into the special; and the implication of action where little exists. However, there are also several misleading conclusions that we believe deserve specific comment.

It is, perhaps, understandable in an election year, but the report strikes us as much too sanguine about trends in rural America. We have assembled a few specific indicators that things are not all that rosy, and I have attached the listing to my statement.

First, the latest word from the Census Bureau is that nonmetropolitan areas are no longer growing more rapidly than metro areas, as was the case during the 1970's. The key factor in the earlier picture and in this latest development is not in nonmetro areas at all, but in the central cities of our metropolitan areas. During the 1970's, the largest central cities were losing population; that outmigration has now apparently ended. Metro areas outside the central cities, which were growing more rapidly than nonmetro areas even during the 1970's, continue to be the fastest growing areas of the country.

But, possibly the most significant aspect of the new data is this: During the 1970's there were some 876 nonmetropolitan counties that did indeed experience a population turnaround — they began to grow after having experienced population decline in the preceding decade. Now, in the early years of the present decade, one-third of those counties have stopped growing again. Another third are exhibiting slower growth than before.

Secondly, employment in nonmetropolitan areas has not been growing as rapidly as total population. Between 1980 and 1983, nonmetro employment grew at a rate less than half that for metro areas. Unemployment, as you are painfully aware, is up substantially in both rural and urban areas during this period --- but the figures show that it is up more in nonmetro than in metro areas. The average adjusted unemployment rate for 1983 (taking into account involuntary part-time work and discouraged workers) was 13.1 percent in metro areas and 14.9 percent in nonmetro areas. This means that the number of jobless in rural America rose by 46.4 percent between 1980 and 1983, with a corresponding increase of 42.7 percent in metro areas.

This, I might point out, is a very different picture than that presented on page 9 of the strategy report, which relies on a very selective use of unemployment statistics to claim that recovery is proceeding more rapidly in rural areas. We challenge that claim.

Third, while we don't yet have 1983 figures on income and poverty, those for 1982 indicate that the rural-urban gap is widening rather than closing. Median household income increased only 11.4 percent in nonmetro areas compared with 13.7 percent in metro areas. It should be emphasized that consumer prices rose by 17 percent over the same period, so that households suffered a decline in real income in both metro and nonmetro areas. We don't have consumer price data on a metro/nonmetro basis, but I would point out that the growth in the CPI is most rapid for the smallest population category utilized by the Bureau of Labor Statistics.

And the poverty rate, which is currently at the highest point since the mid-1960's, continues to be higher in nonmetro than in metro areas -- and the nonmetro increase between 1980 and 1982 was greater than the metro increase. The most recent figures from the Census Bureau put the incidence of poverty in nonmetro areas at 17.8 percent. In other words, in 1982, there were nearly 2 million more people in rural America living below the poverty line than there were in 1980.

And finally, no amount of gloss over farm income figures can hide the fact that, for family farmers, our agricultural economy is facing an emergency of depression-era proportions, and that the very survival of our diversified family farm system of agriculture is at stake. Net farm income fell by 11 percent from 1980 to 1982, reaching the lowest level in nearly 50 years, when measured in constant dollars. The decline was most severe for farms at the lower end of the spectrum. For farms with sales of $100,000 or more, the decline in net farm income was only six percent.

RURAL AMERICA UNDER ATTACK

In addition, many of our members and others around the country are coming to the conclusion that rural America isunder attack. In this instance, the enemy is not a person or group, but a concept, or slogan, if you will. The concept is deregulation. Under the banner of "increased competition," a variety of proposals are being put forward to decontrol portions of major industries and publicly regulated utilities and services.

Deregulation has already had a major impact on the airline, railroad and trucking industries, inter-city bus transportation, and local telephone services. Pending legislative proposals call for extending the concept into the banking, natural gas and other fields. In all instances, rural people and rural communities have vital interests at stake, and in many cases, it is already clear that these rural interests are being adversely affected.

And while we welcome the announced REA survey of rural impacts of phone deregulation, the report does not go nearly far enough in identifying crucial regulatory issues which may effect rural development, or in proposing to monitor the changes taking place in the transportation and communications fields. In retrospect, we may find that the public policy implications of these regulatory changes will be enormous in terms of the quality of life and economic future of rural America.

Rural Budget Cuts

Section 2 of the Rural Development Policy Act of 1980, which establishes the rural strategy reporting procedure, requires an analysis of the President's current fiscal year budget recommendations and five-year budget projections related to their impact on rural development policies. The partial budget data submitted along with this year's report follows the same format utilized last year, and is equally confusing and misleading. The impression is given that federal budgetary decisions reflect the commitment to rural equity and development outlined in the body of the report. The facts are different however.

Although the President's proposed fiscal 85 budget dropped a number of the more drastic cutbacks proposed in prior years, significant reductions in federal assistance to rural areas are still recommended. As the accompanying table illustrates, termination is again proposed for four programs of particular importance to smaller, rural communities: the Economic Development Administration; the Community Services Block Grant program; Local Rail Service Assistance; and the Legal Services program.

The Administration's 1985 budget recommendations continue to urge major cuts in other programs as well. Rural development programs under the Farmers Home Administration would be slashed by 45 percent; assistance for employment and training would take a similar cut; rural housing programs would be reduced by nearly 30%; and federal Aid to Families with Dependent Children would be reduced by 10%, with additional cutbacks in the Food Stamp and other public assistance programs.

The accompanying table, which outlines funding levels for 20 selected programs with significant rural benefits, gives a more complete picture of how the '85 budget relates to previous years.

During the past four years, there has been a steady and substantial erosion of already inadequate resources for rural communities. In real terms (adjusted for inflation), funding for the 20 programs in our table declined by 15 percent between fiscal 1981 and the current year. Spending levels would be cut a similar amount next year if the 85 budget recommendations are enacted.

TOWARD A RURAL DEVELOPMENT POLICY

In closing, I would like to pick up on the "partnership" theme that is put forward in this year's rural strategy report to the Congress. The notion of partnership is an appealing one. Clearly, there is a need for partnerships between the Executive and Legislative branches of government if we are to develop truly effective policies to serve rural people and their communities. Similarly, partnerships are needed between the federal government and the various units of state and local Government, where an increasing share of development resources and authority are now handled. And certainly, a partnership between our farm and rural sectors will serve as a basis for a holistic and comprehensive approach to meeting rural development needs.

But, before we can move effectively on that collective agenda, we will need a better understanding of the realities and changes that are taking place in rural America. Unfortunately, the policy statement by the Department of Agriculture does not significantly enlighten us about the nature and scope of those changes nor about the seriousness of the current economic crisis.

A BALANCED APPROACH TO RURAL AMERICA

Rural America needs a real strategy — not a paper exercise. This means a strategy that supports and preserves family farm agriculture rather than relying on off-farm income to mask the continuing concentration in agriculture. It means a strategy that aims at basic structural reforms in our farm programs -- where half of the assistance payments currently go to about 15 percent of the farmers — and in our tax and credit policies.

It also means a strategy that supports economic development that is community-based and community controlled, rather than one that encourages continued dependency and colonial status. This means that instead of enterprise zones with their tax breaks and regulatory abandonment designed to bribe the big corporations into branch plant placement, what is needed is development of rural America's own economic base: development of its human capital through more and better education and training programs and more adequate health care facilities; redevelopment of its infrastructure; and credit availability for local enterprise rather than absentee ownership.

We believe that rural America can have a future that preserves the best of its past; that allows people to enjoy the traditional values and advantages of smaller-scale community without having to sacrifice a decent income and a good standard of living. But rural America won't have that future if we let our policies be dictated by a skewed market-mechanism that looks only at cash-flow rather than people, that relies on a corporate book-keeping approach rather than a community balance sheet, and that reflects as its most consistent principle that "them that has, gets."

A rural development strategy that reflects the goals we want, won't just happen. It has to be developed democratically and in the real spirit of the 1980 legislation. It's past time to get started on the process.

SELECTED ECONOMIC INDICATORS FOR METRO AND NONMETRO AREAS 1980 AND 1982/3

Indicator		Metro Areas	Nonmetro Areas	All Areas
Population (000s) -	1980:	172,118	54,429	226,546
	1982:	176,207	55,456	231,663
	Change:	+ 2.4%	+ 1.9%	+ 2.3%
Employment (000s) -	1980:	67,120	30,150	97,270
	1983:	70,138	30,697	100,835
	Change:	+ 4.5%	+ 1.8%	+ 3.7%
Unemployment (000s) -	1980:	5,087	2,362	7,449
	1983:	7,257	3,459	10,716
	Change:	+42.7%	+46.4%	+43.9%
Adjusted Unemployment Rate-	1980:	9.5%	10.7%	9.9%
	1983:	13.1%	14.9%	13.7%
	Change:	+ 3.6%	+ 4.2%	+ 3.8%
Median Household Income -	1980:	$19,042	$15,349	$17,709
	1982:	$21,652	$17,094	$20,171
	Change:	+13.7%	+11.4%	+13.9%
Poverty Population (000s) -	1980:	18,021	11,251	29,272
	1982:	21,247	13,152	34,398
	Change:	+17.9%	+16.9%	+17.5%
Incidence of Poverty -	1980:	11.9%	15.4%	13.0%
	1982:	13.7%	17.8%	15.0%
	Change:	+ 1.8%	+ 2.4%	+ 2.0%

Sources: Population from Census Bureau, "Growth in Nonmetropolitan Areas Slows" by Richard Forstall and Richard Engels (March 16, 1984); Employment and unemployment from Department of Agriculture (based on data from Bureau of Labor Statistics); income and poverty from Census Bureau, Current Population Reports, Series P-60, Numbers 127 and 140.

Adjusted unemployment rate includes 'discouraged workers' and counts involuntary part-time as equivalent of one-half unemployment.

BUDGET LEVELS FOR TWENTY SELECTED PROGRAMS, FY'81-FY'85

(in millions of dollars)

	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985#
AGRICULTURE:					
FmHA Farm Ownership and Operating Loans	$1,618	$1,861	$2,415	$2,435	$2,520
RURAL HOUSING:					
FmHA Housing Loans and Grants	$3,956	$3,886	$3,107	$3,439	$2,436
RURAL TRANSPORTATION:					
UMTA Non-Urbanized Grants	$72	$68	$91	$70	$70
Local Rail Service Assistance Grants	$40	$35	$20	$15	—
COMMUNITY DEVELOPMENT:					
Economic Development Administration	$476	$224	$294	$268	$22
EPA Wastewater Construction Grants	$1,605	$2,400	$2,430	$2,430	$2,400
FmHA Rural Development Loans and Grants	$1,871	$754	$1,115	$793	$440
HUD Small Cities CDBG	$956	$935	$1,320	$1,022	$1,022
EDUCATION, TRAINING & SOCIAL SERVICES:					
Employment and Training Assistance	$7,143	$2,984	$4,010	$6,419	$3,611
Education Block Grant	$3,112	$3,041	$3,208	$3,488	$3,480
Head Start	$814	$909	$912	$996	$1,075
Community Services Block Grant	$525	$366	$383	$352	$3
Legal Services	$321	$241	$241	$275	—
Social Services Block Grant	$2,399	$2,400	$2,675	$2,675	$2,700
HEALTH:					
Primary Health Care Block Grant	$579	$449	$525	$527	$533
Maternal/Child Care Block Grant	$415	$440	$478	$399	$407
Child Nutrition	$3,463	$2,847	$3,296	$3,013	$3,676
INCOME SECURITY:					
Aid to Families of Dependent Children	$8,484	$6,007	$7,877	$7,722	$6,944
Food Stamps	$11,740	$11,286	$12,815	$11,848	$11,606
Low Income Energy Assistance	$1,850	$1,875	$1,975	$1,875	$1,875
TOTAL, SELECTED PROGRAMS	$51,439	$43,008	$49,187	$50,061	$44,820

Reagan budget request.

TESTIMONY BEFORE THE

HOUSE AGRICULTURE SUBCOMMITTEE ON CONSERVATION, CREDIT, AND RURAL DEVELOPMENT

MAY 16, 1984

by

Peggy Wheeler, National Center for Appropriate Technology

Mr. Chairman, Members of the Committee, my name is Peggy Wheeler. I am the Public Affairs Director for NCAT, the National Center for Appropriate Technology. NCAT is a non-profit organization in operation since 1977. We handle federal, state, community and corporate contracts providing technical assistance, planning, training, monitoring and information transfer in small-scale, self-help approaches to resource management, particularly in renewable energy and energy conservation technologies.

Currently, one of our major projects is called NATAS, the National Appropriate Technology Assistance Service, a DOE energy technical assistance program offering a toll-free number to respond to technical and commercialization questions in the renewable energy and energy conservation fields. I have included a brochure in your packet of testimony because this program is available to farmers and rural people, so I thought you might be interested in it. Also, you might want to install a passive solar sytem on your own home or correct your insulation levels,and not know how to begin.

I am here today because, like you, I am very concerned about this country's rural future since it impacts all of us and I believe my experiences and NCAT's experiences might shed a different perspective on the issue than your used to hearing.

During the 1970's I worked as an agriculture aide to one of the Members of this Committee, so I heard, saw, and participated in the programmatic starts, changes, and endings that occurred. I then went on to work as an intergovernmental rural development specialist at the now eliminated Community Services Administration. From their I left Washington,D.C. for four years and worked for small towns, organizations and cities in Pennsylvania, Idaho and California on rural, economic development and resource management issues. I saw rampant joblessness, poor use of local resources for optimum local value retention, fear about hunger problems and waste disposal problems, and a constant concern over energy and housing costs.

The areas I lived in were quite willing to do more to grapple with these problems on their own, but unaware of the options available to help them help themselves. They need help to understand all these options, and USDA agencies could assist in this effort, as well as others on contract, with an end result of a much improved rural economy.

The development thrust our country has worked under for the last 100 years is one emphasizing performance on as large a scale as possible. Agriculture was as much a part of this as any. It seemed natural to offer support services that made farming easier, growth achievable, accumulation of wealth possible and maximum food production a reality.

For many years this approach seemed to have virtually no side-effects. But now, we are witnessing an elimination of family farming and small towns, lack of jobs in the rural areas, and critical problems with soil and water conservation. Furthermore, the food system we have encouraged is very vulnerable to tampering by energy price hikes, transportation disruptions, drought, and pest infestations as seen in the 1970's.

It is true that we produce a large export volume which brings dollars home to this country. It is true also that this agricultural system has drawn dollars out of rural areas in this country due to requirements for food imports and resulting elimination of rural jobs due to heavy mechanization.

The key to a different, more successful rural development program would be support of a more localized approach to meeting basic needs, energy, food, housing, water, clothing, and the retention of product refinement dollars on a local basis.

For example, in the Lehigh Valley of Pennsylvania, the people import 75% of their food and 65% of their energy through foreign oil imports. Farmland is prime, for the most part. There are a large number of good solar days, some wind potential, many hydro possibilities. Coal is located nearby in large deposits and was once used as a major source of home heating. Corn, dairy, beef, pork, poultry are strong in the area though much is exported. Bethlehem Steel was the major job producer, but steel industry problems have brought about huge layoffs and 17% unemployment exists in many parts of the valley.

If this valley chose to retain much more of these exported energy and food dollars at home, by producing and buying locally developed products, or through conservation practices, the economy would improve markedly. If the valley went further and used improved waste recycling programs, energy conservation methods in homes, businesses and farms, the dollars released to be spent on other services would be added to the local economy. And if the valley refined more of its products locally, before exporting them, such as corn into corn syrup, milk into competitive cheese and yogurt markets such as those now imported from Europe, timber into furniture, even more dollars would be released in the local economy.

The Lehigh Valley actually does more of this than you will find in many farming areas. Farmers markets abound there, and the potential to move more solidly in that direction is strong.

Just as we look on our nation as a unit that needs to improve its export/import ratio for economic and security reasons, so should rural areas begin to look at the manner in which dollars flow into and out of their community. By producing on the land in such a way that provides few jobs, by allowing unrefined products to be processed away from home, by importing food products from far distances when not necessary, by importing energy products when not necessary, precious dollars which could fuel their economy are being lost.

Our ARS, Extension and FmHA systems have been encouraged to support a rural economic system that fosters heavy, inefficient mechanization, rather than light, highly efficient mechanization. Inefficient from the standpoint that it virtually eliminates jobs, encourages poor soil and water treatment, exhausts energy supplies, and requires highly mechanized packing and distribution systems which draw unnecessary dollars away from the rural communities.

We need to help rural areas keep some of those dollars at home so they benefit economically, and we all benefit by a more diversified, less fragile system that can withstand natural or planned disasters like another 2000 % increase in OPEC oil prices; major trucking strikes; major pest infestations; while providing many more jobs to our people across the country.

Other industries can rise and fall without shattering our economy if we retain an employment buffer zone in our rural areas. We should be looking on agriculture and the vast resources of our rural areas in a job-producing manner to provide this buffer. We are at a stage right now where that buffer is almost lost. I think that is a mistake.

By utilizing smaller-scale mechanical solutions to energy, food and water production and conservation, people can retain an easy lifestyle while freezing dollars for other life-quality items like education, culture, travel, products.

Your committee could begin to explore this alternative rural development strategy by emphasizing portions of USDA programs mentioned in the USDA Rural Development Policy Report, such as farmer-owned enterprizes and marketing assistance; by taking some funds out of current ARS and Extension related research and information transfer programs and channeling it to counties, cities, towns, and organizations interested in facilitating such an approach to their local problems. There are many experts available to assist towns and rural people in developing local methods of retaining food, energy, and resource dollars at home to improve the overall economy and some areas and states are attempting to move in this direction.

The State of Nebraska is endeavoring to strongly encourage through programmatic assistance, community energy planning to reduce the export of energy dollars out of state. St. Paul, Minnesota hired the assistance of the Institute for Local Self-Reliance in the planning of an interwoven 'home-grown'economy endeavoring to keep food, energy, and business dollars at home. Farmers markets, community economic development, and energy conservation programs are growing around the country.

Instead of working against such efforts, as is often the case, the USDA's programs should be actively encouraging these types of efforts through research, information transfer, marketing assistance, collection of data. Organizations such as NCAT stand ready to help the USDA increase its knowledge of such community planning and the technologies available to facilitate such community efforts.

The expertise of individuals and organizations working in this planning area and the available technical information on small-scale, local food systems, energy conservation, and local energy production systems, energy audits, community resource planning all could be channelled through the thorough Extension program of the USDA so it reached rural people quickly.

Extension agents could be trained in these subjects. FmHA funds could encourage such technologies. ARS could transfer its attention from solely large-scale, energy intensive approaches to rural development to a broad spectrum of alternatives. Some Extension agents are conducting such local planning efforts slowly on an individual local basis. Coordination of these efforts, and support from the national level would help achieve a more rapid delivery of the options available. Computers in all Extension offices would help also, since much of the data available is on computers like the one we have at NCAT.

A Rural Appropriate Technology Information Service could be established to assist rural areas learn of the options. Such a service could collect all data available as it pertains to rural communities and their problems and needs, provide technical assistance to the USDA and directly to rural people, and generally serve as a technical support system for local resource programs.

I would be happy to work with the Committee on the specifics needed legislatively to begin to support such local resource management towards a strong rural development system.

The bill before you by Mr. Watkins, though understandable in its direction, would not address the fundamental problems of our current agricultural systems removal of dollars from rural communities, thereby causing the spiral effect of lost jobs, poor farming practices, lost towns, and finally a lost rural economy and a food system controlled by a few.

The USDA report on Rural Development Policy has a few portions reflecting interest in supporting farmer-owned enterprises and building the rural economy through improved marketing and better use of local resources. These portions should be highlighted and expanded.

This approach of rural development based on keeping more of the basic dollars at home, dollars spent on energy, food, housing, clothing, and water and waste management, would release funds to be spent on the development of many other parts of our lives and on products we feel improve our lifestyles. Your committee could help bring this about.

For release only by
the House Committee on
Agriculture

OFFICE OF RURAL DEVELOPMENT POLICY

Statement of Willard (Bill) Phillips, Jr., Director of the Office of Rural Development Policy, before the House Agriculture Subcommittee on Conservation, Credit and Rural Development, May 16, 1984.

Mr. Chairman, I am pleased to appear before your Committee. I appreciate your interest and value this opportunity to elevate the level of discussion concerning the problems of rural America and the prospects for solving them.

The mission of the Department of Agriculture's Office of Rural Development Policy is to try to identify just such needs and to suggest effective means of meeting those needs.

We do not and cannot bear the sole responsibility for ensuring rural progress, nor does the Department of Agriculture, nor even the Federal Government.

We believe rural development must involve a partnership of all the institutions of the Federal Government, with State and local governments, and with private enterprises as well. Recognizing that any policy is only as good as the foundation it is built on, our Office has undertaken to help build this broad partnership.

Our work involves evolution rather than revolution, and nothing of lasting value to rural America can be accomplished overnight.

But we feel this Department has made significant progress in the past two years toward understanding the challenges of rural America in the context of historical, cultural, and economic forces at work there, and we have built a framework for action that is more comprehensive and better coordinated than any rural development effort has ever been before.

The primary rural development leadership and coordination responsibility began with the Rural Development Act of 1972, which made rural development a major mission of the Department of Agriculture.

Furthermore, the basic charter and focus of our recent work has been the Rural Development Policy Act of 1980, which calls for the preparation of strategies to address the problems of rural America in a thorough, rather than a piecemeal, way.

We have now produced two such strategy documents. The first, entitled Better Country, found that rural America had been transformed in the decade of the 1970's from a region in decline to a region of rapid economic and population growth.

It also found that with this new growth had come new demands on facilities and services in rural communities, and new requests for technical and management assistance for rural governments.

Better Country also suggested a new role for the Federal Government in rural development--one of support for, rather than direction of, State and local development efforts, consistent with the President's New Federalism philosophy.

The Federal Government recognizes the ability of rural citizens and leaders to decide and act upon what they feel is best for the areas in which they live and work. In addition, Better Country recommended practical policy initiatives ranging from facilities improvement to rural credit.

The second strategy document, A Partnership for Progress, found that because off-farm income has become so critical to so many farmers' economic survival--with more than 60 percent of total farm family income being derived from non-farm sources today--an economic partnership between the farm and the rural community has become essential to the progress of both these rural institutions.

To help strengthen and expand this partnership, this report recognizes that farmer owned and operated enterprises can help stabilize farm income and cash flow, breaking the "boom and bust cycle" that plagues many farm operations. Under existing authority, select Famers Home Administration loans can be made to help farmers combine farming with other farm-related enterprises.

To help rural America prosper, several additional steps are recommended in the new strategy:

First, the field offices of the Farmers Home Administration will supply rural entrepreneurs with information on Small Business Administration programs that may be useful in developing new rural businesses.

Second, a greater effort will be made to provide Government-sponsored technical and management assistance to rural as well as urban enterprises.

Third, an information exchange on innovative, small-scale rural business opportunities will be initiated by the Department of Agriculture.

And fourth, the Department will specifically include in its future analyses of farm policies their potential impact on the non-farm rural economy and on rural communities.

In addition, while recent studies have shown that the quality and quantity of rural community facilities is greater than many people may have thought, there remains a significant need to strengthen the rural community leader's capacity to lead.

To assist in this work, A Partnership For Progress calls for the following steps:

-- Additional management and technical assistance will be provided through a national volunteer program involving retired public service employees.

-- The Federal Government will, on a pilot project basis, assist States and local rural governments in developing methods for making comprehensive assessments of local transportation conditions and needs.

-- The Rural Electrification Administration will conduct a rural impact study to assess the potential effects of changes in the structure of the telephone industry on all rural people, and it will forward this study to the Federal Communications Commission for review.

-- To help improve the management and protection of rural natural resources, the Department of Agriculture will spend a greater share of its conservation budget on soil erosion control, flood protection and water conservation.

-- The Department will provide increased technical assistance for Federal and local participation in farmland protection programs.

-- The Department will encourage greater participation by young people and other volunteers in rural conservation projects.

-- To improve coordination of government-wide rural development efforts, all Federal agencies whose policies and programs affect rural areas will be asked to submit reports to the Department describing their work on behalf of rural America.

-- And to help ensure that rural considerations are accounted for in all relevant Federal actions, a rural affairs staff position will be designated in all appropriate Federal agencies.

None of these initiatives, by itself, will make a dramatic difference in rural America. But their combined and cumulative effect may well be dramatic over time.

Already we can point to progress which might not otherwise have been made if the Rural Development Policy Act, and the Office created to implement it, did not exist.

We have encouraged other Federal departments and agencies, for example, to increase rural participation in their various programs, and that increased participation is very much in evidence today.

The Department of Education last year devised a special policy for rural education. The Department of Housing and Urban Development has increased rural involvement in the Urban Development Action Grant and Community Development Block grant programs.

The Small Business Administraion and the Export-Import Bank, along with our office, have begun outreach programs to inform small businesses in rural America about the availability of financing for export sales.

The Department of Labor through the new Job Training Partnership Act is offering new opportunities for job training in rural areas.

In cooperation with the Rural Governments Coalition, the Office of Rural Development Policy sponsored a series of training conferences for rural government officials in 1983, concentrating on financial management, liaison with State governments, managing natural resources and other important issues.

We have joined with the National Trust for Historic Preservation in a program to restore the small towns of rural America as centers of new commercial growth. The "Main Street" program has helped restore the architectural beauty, commercial activity and tourism interest in more than 100 communities in 11 states. In the first 27 communities participating in this program, more than $127 million in private investment were attracted and 956 new downtown business ventures were started.

We have co-sponsored an experimental "rural entrepreneurship" project in southeastern Oklahoma designed to create new small business enterprises in rural America through the "homegrown" development of new products and technologies.

We have sponsored the first rural application of a new "negotiated investment strategy" concept which brings local, State and Federal officials to a negotiating table as equal partners and commits them to specific financial and management responsibilities in a single community's development plans.

And we have pursued an extensive outreach program ranging from rural conferences to a Rural America Review newsletter, aimed at keeping rural leaders in both the public and private sectors informed of new ideas, trends and services that can help them do their jobs better.

Perhaps most importantly, we believe that all of these activities have raised non-farm rural issues to a much higher level of visibility and importance within the Department of Agriculture.

Secretary Block met last year with leaders of 25 national rural development organizations to discuss their priorities and problems and to seek ways of improving intergovernmental cooperation in rural development.

This meeting, in Des Moines, Iowa, which closely followed the Secretary's Agriculture Summit meeting with a similar national conference of farm organization leaders, was a dramatic demonstration of the unprecedented policy priority that non-farm rural development as well as production agriculture receives from this Administration.

And we have tried to make it clear to the people of rural America that we value their advice and counsel, and that we intend to work for them rather than the other way around. A National Advisory Council on Rural Development Policy, appointed by the Secretary and comprised of 25 public and private leaders of rural America, has been very helpful in the preparation of our strategy documents; and we have consulted extensively with a wide range of other rural citizens and experts and grass-roots organizations to ensure that what we do is what rural Americans want us to do.

I will be the last to claim that we have done everything that might have been done for rural America, but given the budgetary constraints which are the economic order of the day, I believe we have made the most of the resources available to us these last two years.

I am glad to see that this Committee's interest in non-farm rural development remains as active as ever, and I believe that working together with the 54 million residents of rural America we can make the kind of progress we all want to make in the future.

STATEMENT OF THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION IN SUPPORT OF H.R. 5024 AND COMMENTS ON THE USDA STRATEGY REPORT UPDATE BEFORE THE HOUSE SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT

MAY 16, 1984

Mr. Chairman and members of the Subcommittee:

My name is William E. Murray. I am Legislative Specialist for Rural Development for the National Rural Electric Cooperative Association, the trade and service organization of nearly 1,000 rural electric systems serving nearly 25-million rural and farm people in 2,600 of the nation's 3,100 counties.

We appreciate this opportunity to express our views on H.R. 5024 and the Rural Development Strategy Report update which are the subjects of the subcommittee's hearing.

At their annual meeting this year and last, the membership of NRECA voted unanimously for resolutions calling for the restructuring of the Department of Agriculture's rural development responsibilities along the same lines as called for in H.R. 5024.

The 1984 resolution stated in part:

"...FmHA is no longer able to effectively administer both farm and non-farm programs, and, as a result, has downgraded the priority of the latter. This situation will continue, in our view, until USDA takes steps to reorganize its rural development responsibilities by assigning them to a new agency so as to give them the high priority which Congress directed that they have."

The 1983 resolution was equally specific:

"...It is apparent that FmHA is unenthusiastic about implementing the rural development authorities assigned to it over the years. As a consequence, it is increasingly difficult for rural areas and rural people to obtain the assistance which Congress intended them to have. Therefore, we feel it would be best for Congress and/or the Administration to transfer the rural development programs from FmHA to a Rural Development Administration in USDA, leaving FmHA solely a farm loan agency...".

We believe that the bill would not only enable USDA to implement its rural development programs more efficiently, but it would also eliminate the dissatisfaction that farmers and ranchers have with FmHA because of its schizophrenic and competing farm and non-farm roles.

According to our understanding of the legislation, it would establish two new administrations within USDA from the present Farmers Home Administration. The farm programs along with 502 single family housing loans would be under the Farm Administration, and rural development programs including water, sewer, community facilities, business and industry, and housing (except single family), and resource conservation and development would be under the Rural Development Administration.

FmHA's district offices would become part of the Rural Development Administration delivery system for rural development and multi-family housing as they are today. The district offices would also have the capability of providing technical assistance.

Administration of RC&D and watershed and flood protection loans would be transferred from FmHA to the Soil Conservation Service, the agency which already has the responsibility for the planning and technical assistance of these projects.

The Office of Rural Development Policy would also be folded into the Rural Development Administration which would give the agency technical and rural development expertise.

The Rural Electrification Administration and the Federal Crop Insurance Corporation would remain intact and continue to operate as at present.

According to the bill's author, Rep. Wes Watkins, few additional personnel would be required in this restructuring proposal. FmHA staffers responsible for rural development would continue their duties as employees of the Rural Development Administration.

The bill also calls for renaming the USDA the Department of Agriculture and Rural Development. We believe this is appropriate since it would more accurately reflect the rural development mission of the Department in addition to its agricultural mission.

In the Rural Development Act of 1972, the Congress made it very clear that USDA was to be responsible for the leadership role among all Federal agencies and departments for rural development. It was given the task of coordinating Federal rural development efforts. Therefore, it seems logical to us that the Department's name should reflect this role. Further, it would reflect the fact that the Department is concerned with some 54-million rural residents in addition to the nation's farmers.

Among the several advantages of the restructuring:

It would serve to upgrade rural development at USDA and nationally. All signs now are pointing to an inexorable downgrading. An obvious example is the Administration's budget for rural development [illegible]grams of

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the Farmers Home Administration. Compared to the 1980 FmHA budget, for instance, the trend is dramatically evident. The 1985 proposal of $2.9-billion is $3.7-billion under the 1980 budget. In addition, the Administration has drastically cut financing for rural facilities, housing and job-creating and job-saving enterprises. In the case of the business and industrial development loan program of FmHA, one of the few sources of credit available to rural businesses, the Administration is seeking to phase it out completely. It also is considering combining the funds for other rural development programs into block grants and turning them over to the states to distribute.

This legislation, in our opinion, would help stem the erosion of rural development and give it a new and higher priority at USDA.

FmHA Administrator Charles Shuman has been quoted as saying that he would like "to end the programs for business and industry, greatly reduce those in housing, water and waste, and increase lending in the farm area."

As far as we can observe, Mr. Shuman is having his way at FmHA. And with FmHA's top man advocating the reduction and/or elimination of the Federal Government's primary rural development assistance, the outlook for rural development is not very promising.

Actually Mr. Shuman's views make the argument for separating FmHA's farm and non-farm activities and putting the latter into a rural development agency as H.R. 5024 proposes.

Rural Development Strategy Report

By way of background, I would mention that NRECA was the first organization to come out in support of the Rural Development Policy Act.

The day after its authors, Rep. Richard Nolan and then Rep. Charles Grassley, introduced the bill, the NRECA membership at its 1978 annual meeting unanimously endorsed the legislation.

One of the provisions of the bill required the Department of Agriculture to prepare a comprehensive rural development strategy designed to "maximize the effectiveness, increase the responsiveness, and improve the delivery of Federal programs to rural areas," and "increase the coordination of Federal programs with the development needs, objectives, and resources of local communities, substate areas, states, and multistate regions...".

In our opinion, the USDA's rural development strategy has not resulted in any significant progress in implementing the above provision. Nor does the analysis of the President's budget relevant to rural development seem very helpful or useful.

Compared to the dimensions of the needs of rural America for jobs, for housing, and for community facilities, the accomplishments described in the report seem almost irrelevant.

And the Administration's strategy is not without its irony. For example, it is seeking to divert hundreds of millions of dollars from rural development programs to farm loan programs. This proclaims to us the low priority the Department gives to rural development. Farmers Home Administration should request these additional funds in supplemental appropriations, not take them from rural development.

In a press release accompanying the strategy update, Secretary Block stated: "We must strengthen the partnership between the 5.5-million people living on farms and their 54-million rural, non-farm neighbors.

Today, the average farm family receives two-thirds of its annual earnings from off-farm sources."

In light of the Secretary's words, it would seem to us that he would ask for additional farm loan funds so as not to further deplete the financing available for economic development which he points to as closely related to the interests of farmers.

One could get the impression from reading the strategy report that rural development was making huge strides at USDA and other federal establishments. The evidence we see, however, convinces us that just the opposite is the case. That evidence tells us that rural development is being seriously downgraded and neglected, which could prove to be a very shortsighted and costly policy both in economic and human terms.

The first two years of this decade, according to the Census Bureau, have seen a slowdown in the growth of population of rural America. And many rural counties are still losing people. No longer is rural America growing at a faster rate than urban, as it did in the 1970s. And prior to 1970, for 30 years rural areas lost millions of residents -- between 25-and-30-million.

The migration of these millions of displaced farmers and rural residents to urban areas served as the main reason for the rural development programs initiated by Congress in the 1960s and 1970s. The objective was to slow the shift in population from rural to urban, which was causing serious problems for the nation as a whole as demonstrated by dying rural communities and overcrowded cities where rural migrants sought jobs but often had to settle for welfare.

In the Agriculture Act of 1970, Congress declared that maintaining a sound balance between rural and urban was a top domestic priority and that the "highest priority must be given to the revitalization and development of rural areas."

In the early 1970s, the migration reversed itself and the rural population began to grow again for the first time in the 20th century. Certainly some of the credit for the turn-around must go to Federal rural development assistance made available by Congress.

Unfortunately, rural development is no longer a matter of urgency. This Administration is ignoring the needs of rural America, and the once high priority for rural development has slipped to the lowest point in 30 years.

In our opinion, the potential for another flood of millions of rural people to the cities is now in the making. The combination of high rural unemployment and underemployment plus an agricultural depression will eventually force millions of foreclosed farmers and jobless rural residents to leave rural America unless we have an effective strategy to stabilize the population of rural America.

NACD

STATEMENT
of the

NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS
before the

Subcommittee on Conservation, Credit and Rural Development
House Committee on Agriculture
on

H.R.5024, Rural Development Reorganization Act
by

Charles L. Boothby, Executive Secretary
May 16, 1984

Mr. Chairman, members of the subcommittee, I am Charles L. Boothby, Executive Secretary of the National Association of Conservation Districts. Conservation districts are legal subdivisions of state government, chartered to develop and carry out programs of conservation, resource development and land treatment. Conservation districts are organized in all 50 states, Puerto Rico, the Virgin Islands and the District of Columbia. Districts are working with over 2 1/2 million cooperating landowners.

Many conservation districts are in the rural regions of this nation and thus have a strong interest in the rural development programs of the federal government. As local units of state government, conservation districts have sponsored and serve on the councils of all of the 194 Resource Conservation and Development (RC&D) Areas nationwide. Conservation districts have sponsored RC&D areas as a means of broadening district programs and increasing service to multi-county areas within which they work.

In 1982, NACD conducted a survey of the states to determine the status of RC&D projects. This survey showed that for FY 81, with a direct appropriation of only $34 million, RC&D Councils conducted a $90 million program. An additional $30 million was received from other federal programs and over $30 million from non-federal sources. RC&D has served as a catalyst for many activities in rural America including many that would qualify as rural development activities.

NACD is very concerned about the lack of true progress on the part of USDA in the field of rural development, both in terms of leadership and in terms of funding. With the publication of the National Conservation Program, the Soil Conservation Service appears to be concentrating its activities on the control of erosion on cropland, a worthy and much needed emphasis. This is being done, however, at the expense of other activities which could be considered as rural development. Recently, SCS eliminated the cost-sharing for recreation-related

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measures in RC&D areas and reduced the cost-share rate for flood control projects in the RC&D program. Both of these initiatives seem to run counter to the expressed intent of the published Rural Development Strategy of USDA.

A study of the 1983 report, "Better Country: A Strategy for Rural Development in the 1980's" and the 1984 report, "Rural Communities and the American Farm: A Partnership for Progress," imply, at least, that the way to rural development is to make the countryside look more like the cities. Further, neither report acknowledges the existence or the contribution to rural development of the 194 RC&D Councils.

In a report of the Senate Committee on Agriculture, Nutrition and Forestry entitled, "Farm Policy Perspectives" dated April 1984, there is an article by Stewart Smith, Commissioner of Agriculture in Maine, which addresses the issue of rural development as follows:

> "Rural development strategy. I would start by suggesting that we need to rethink the present rural development strategy. That strategy, in my opinion, is misdirected. It depends heavily upon the concept of enterprise zones to attract business firms into rural areas. It relies upon expansion of agricultural exports as a means of bolstering farm income in rural America and it proposes significant increase in the amount of data collected in rural America. All of these initiatives have a place in providing support to rural communities, but as the building blocks of rural development strategy, they fall woefully short. We need a policy that does not rely upon providing every rural community with the opportunity to participate in large-scale-industrialized society. We need a policy which recognizes differences between our urban and rural communities and builds upon rural strengths rather than imposes urban solutions upon our rural areas.
>
> We need a strategy which supports the entrepreneurial capability that currently exists in rural America. That entrepreneurial capability will not be released with an enterprise zone emphasis which is primarily a tax subsidy program. We need, at least in rural Maine, a program which provides information, capital, and assistance in organization for our rural entrepreneurs. Some of the basic programs are already in place; they simply need more resources and more emphasis. Let's not try to make rural America into an industrial America. Let's use the resources and advantages that our rural communities have and build upon them."

We would associate ourselves with these remarks of Commissioner Smith.

It is obvious to us that a revival of an active rural development thrust is necessary within the Department of Agriculture. In that respect we can certainly commend the objectives of H.R.5024. We would also commend Congressman Watkins for his active interest in sponsoring this legislation.

Rather than creating a Rural Development Administration, we would suggest that the charter of the Soil Conservation Service be broadened in scope to address more clearly the objectives of rural development. We would point out that SCS has been flirting with this approach over the last thirty years, through the administration of various programs such as the Small Watershed Program, Resource Conservation and Development Program, River Basin and

Floodplain studies, Land Evaluation and Site Assessment (LESA) studies, as well as direct technical assistance to municipalities, counties, conservation districts and other units of government. The Soil Conservation Service has the nucleus of the technical expertise to conduct this type of activity, including RC&D coordinators, engineers, economists, geologists, wildlife biologists, foresters, soil scientists and others. It is our belief that this agency, given the appropriate legislative mandate, is equipped to handle the rural development role of USDA.

RC&D Councils, and to a lesser extent, conservation districts, have been directly involved with other local government entities in sponsoring rural housing programs, historic preservation and interpretation projects, outdoor recreation and farmland protection. Both RC&D Councils and conservation districts have worked with county governments and regional planning agencies on various aspects of rural development, including municipal and industrial water supply, flood control, sewer and water studies and nonpoint source pollution control programs.

It might be suggested that a rural development charter for the Soil Conservation Service might detract from their present soil conservation charter. We see the rural development effort as a complement to the soil conservation effort.

Mr. Chairman, I can not state that my testimony today is based upon a policy position of the association. We do support rural development of the soil, water, and human resources of the nation. I do have the authority to present these proposals to be considered in your discussions of rural development in hopes that they can be helpful in strengthening a balanced conservation program within USDA.

STATEMENT OF RUDY ARREDONDO
POLICY ANALYST

THE NATIONAL ASSOCIATION OF COMMUNITY HEALTH CENTERS

Mr. Chairman and Members of the Subcommittee:

I thank the Members of this Subcommittee for the invitation to testify on behalf of rural and migrant health centers.

My name is Rudy Arredondo, Policy Analyst, for the National Association of Community Health Centers (NACHC).

The National Association of Community Health Centers is a broad-base private, nonprofit organization representing over 800 urban, Indian, rural and migrant community-based health centers serving low-income medically underserved populations in all 50 states, Puerto Rico and the District of Columbia. These centers provide health services to more than 5 million Americans.

As the national advocate for these centers, we are extremely concerned with the reorganizational proposal as contained in H.R. 5024. Although, as a former user of FmHA rural community development programs during my tenure as a field representative for Rural Housing Alliance/Rural America for over four years and subsequently an employee of Farmers Home Administration, I can understand the high level of frustration experienced by members of this body to such an unresponsive agency as FmHA.

However, it is our sense that a reorganization which would fragment rural community development programs is not the best approach in addressing the needs of rural America. We strongly support a comprehensive approach as now in place within the Farmers Home Administration. We are more concerned with the attitude, lack of commitment by the agency and the inadequately trained staff now operating the county and district FmHA offices. In addition, we would like to recommend the need for additional staff for field offices.

The National Association would like to highlight the lack of commitment and attitudes which presently exist within the FmHA, particularly as it affects rural and migrant health centers.

As this Committee is very much aware, the principal responsibility for the provision of financial assistance as the lender of last resort to rural communities of 10,000 population or less rests with the U.S. Department of Agriculture's (USDA) Farmers Home Administration (FmHA).

Of the FmHA programs, which include rural housing, farm and community development programs, the FmHA Community Facilities Loan Program is of great interest to the rural community and migrant health centers for the provision of rural health facilities.

At this point, I would like to regress and to give the Committee members some background on this matter.

In late 1978, former Secretaries Joseph Califano of the U.S. Department of Health, Education, and Welfare (now DHHS) and Bob Bergland of the U.S. Department of Agriculture signed a Memorandum of Understanding designed to coordinate the two federal programs: the DHEW would concentrate its efforts in needy rural communities who had acute health problems, e.g., high infant mortality rates, high chronic diseases, lower than national average life expectancy rates and environmental health hazards.

Under this agreement, FmHA would make CFLP funds available to underwrite the construction and renovation of primary health centers in medically underserved rural communities with a set aside of $25 million. Under this initiative -- from 1978-1981 -- almost 170 loans were made for a total of $57 million for new and upgraded rural and migrant health centers. (Exhibit A)

A 1981 U.S. General Accounting Office report questioned the propriety of repaying FmHA loans with grant funds. On November 5, 1981, Administrator Shuman sent out an unnumbered Administrative Notice (AN) instructing all FmHA State Directors to suspend the processing of any new projects under the Memorandum of Understanding until further notice. The AN also stipulated, and I quote, "For those projects that have been obligated for new construction, contracts should not be awarded." (Exhibit B) This AN has not been revoked. Another interesting side note is that DHHS was not informed by FmHA of the suspension of the MOA.

In December 1982, President Reagan signed the Orphan Drug Act which authorizes Section 330 (Public Health Services Act) funded rural health centers to repay FmHA loans with grant funds. Since that time, FmHA and DHHS staffs have been meeting in an attempt to renew this agreement.

In October 1983, FmHA proposed an agreement that would only consider for funding only those projects that require no more than 25 percent of the total operating revenues from DHHS operating grants. (Exhibit C)

Dr. Edward D. Martin, Assistant Surgeon General at DHHS, responded that such an agreement would exclude 85 percent of the eligible rural community health centers. Dr. Martin added that there was no apparent rationale for such a restrictive agreement since only one community health center had defaulted out of 170 CHC borrowers. (Exhibit D)

FmHA has since withdrawn the October 1983 proposal and offered an alternative which, on the surface, appears to be less restrictive. However, a survey of our rural and migrant health centers indicates that the graduated amortization proposal would effectively exclude 85 percent of our rural community health centers and 90 percent of our migrant health centers from even being considered for FmHA community facilities loans. (Exhibit E)

This proposal has been signed by Administrator Shuman and is presently being reviewed by Dr. Robert Graham, Assistant Surgeon General at DHHS, for his signature.

We are extremely concerned by the restrictive nature of this agreement. We strongly oppose its implementation and feel that it unnecessarily discriminates against rural and migrant health centers.

We hereby request that this Committee direct the Farmers Home Administration and the Department of Health and Human Services to withdraw the proposed Memorandum of Understanding presently under consideration and to draft a new agreement which will include the following items:

(1) A $30 million allocation for rural and migrant health centers.

(2) An amortization period of up to 40 years or as permitted by statute.

(3) Relief to rural and migrant health centers in the form of a grandfather clause for those to whom FmHA had obligated funds, prior to November 5, 1981, AN, and who, in good faith, obtained interim financing from private sources which are now coming due.

(4) This agreement must be drawn up within the next 60 days and in consultation with the House Agriculture and Labor, Health, and Human Services Committee staffs.

On behalf of the National Association of Community Health Centers, I thank the Committee for the opportunity to present testimony today.

(Exhibits follow:)

EXHIBIT A

FmHA/HHS RURAL HEALTH INITIATIVE PROJECTS

State	Location of Project	Name of Project or Borrower	Status
Alabama	Lincoln	Lincoln Medical Board	In operation
	Red Bay	Southern Rural Health Care Consortium	In operation
	Deleville	Deleville Medical Center Board, Inc.	In operation
Alaska	None		
Arizona	Benson	Benson Health Services, Inc.	In operation
	Somerton	Valley Health Center, Inc.	In operation
Arkansas	Augusta	North Arkansas Human Services	In operation
	Mountain View	Mountain View Health Services Center	In operation
	Marianna	Lee County Cooperative Clinic	Under const.
	Clarendon	Mid-Delta Community Services, Inc.	In operation
	Horseshoe Bend	Horseshoe Bend Health Services Center	Loan apprvd.
	Salem	Salem Dental Health Services Center	In operation
California	Buttonwillow	Buttonwillow Health Center	Under const.
	Nipomo	Nipomo Health Clinic, Inc.	In operation
	Earlimart	South Tulare	Loan apprvd.
	Coachella	El Progreso del Desierto	Under const.
	Wrightwood	Mojave Desert Health	In operation
	Lamont	Clinica Sierra Vista, Inc.	In operation
	Los Banos	Stanislaus Family Health Center, Inc.	In operation
	Olivehurst	The Lindhurst Family Health Center	In operation
Colorado	Kiowa	Elbert County EMS Council, Inc.	In operation
	Fort Lupton	Plan de Saud del Valle, Inc.	In operation
Connecticut	None		
Delaware	None		
Florida	West Palm Beach	Palm Beach County (Not HHS)	Loan apprvd.
	Sumterville	Project Health	Loan apprvd.
	Wewahitchka	Wewahitchka Medical Center	Under const.
	Ruskin	Hillsborough County Migrant Health	In operation
	Apopka	West Orange Farmworkers	In operation
	Cross City	Family Medical Practices	Under const.
	Frostproof	Florida Rural Health Services, Inc.	In operation
	LaBelle	Hendry-Glades County Health Center, Inc.	In operation
Georgia	Unadilla	Dooly Health Care Association	In operation
	Albany	Albany Area Primary Health Care, Inc.	In operation
	Lincolnton	Lincoln County Primary Care Center, Inc.	In operation
Hawaii	None		
Idaho	None		

State	Location of Project	Name of Project or Borrower	Status
Illinois	Carbondale	Shawnee Health Services (Not HHS)	In operation
	Christopher	Christopher Greater Area Rural Health Planning Corporation	In operation
	Flora	Christopher Greater Area Rural Health Planning Corporation	In operation
	Oquawka	Henderson County Board of Health	In operation
	Pembroke	Pembroke Area Family Health Center	In operation
Indiana	None		
Iowa	Clearfield	Clearfield Medical Clinic/Dental Clinic	Proj. closed
	Adair	Adair Medical/Dental Clinic	In operation
Kansas	Washington	Washington Co. Horizons Health Service	In operation
Kentucky	None		
Louisiana	Natchitoches	Natchitoches Medical Center	Loan apprvd.
	Sicily Island	Catahoula Parish Hospital District #2	In operation
Maine	Eastport	Eastport Health Care, Inc.	In operation
	Bucksport	Bucksport Regional Health Center, Inc.	In operation
	Danforth	East Grand Health Center, Inc.	In operation
	Eagle Lake	Eagle Lake Regional Health Center, Inc.	In operation
	Newport	Sebasticook Valley Family Practice Assn.	In operation
	Ashland	Medical Care Development, Inc.	In operation
	Belgrade Lakes	Belgrade Regional Health Center, Inc.	In operation
	Madison	Madison Area Health Council, Inc.	In operation
Maryland	None		
Massachusetts	Provincetown	Health Associates of Provincetown, Inc.	In operation
	Uxbridge	Tri-River Family Health Center Dev. Corp.	In operation
Michigan	Lincoln	Alcona Citizens for Health, Inc.	In operation
	Houghton Lake	Northern Michigan Health Services	In operation
	Algonac	Downriver Community Services, Inc.	In operation
	Brown City	Brown City Area Health Center, Inc.	In operation
	Dowagiac	Dowagiac Health Systems, Inc.	In operation
	Pullman	Pullman Health Clinic, Inc.	In operation
	Sterling	Sterling Area Health Project	In operation
Minnesota	Barnesville	Barnesville Area Clinic	In operation
Mississippi	Brandon	Hinds Rankin Health Clinic	In operation
	Mound Bayou	Mound Bayou Community Hospital & Delta Health Center, Inc.	In operation
	New Hebron	South Central MS Rural Health Assn.	In operation
	Smithville	Three Rivers Area Health Services, Inc.	Loan apprvd.
	Jackson	Central MS Civic Improvement Assn.	In operation

State	Location of Project	Name of Project or Borrower	Status
Missouri	Pilot Knob	Citizens for Improvement of Medical Ser.	In operation
	Richland	Richland Medical Center, Inc.	In operation
	Hamilton	Caldwell County	In operation
	Barshera	Northeast MO Health & Welfare Council	In operation
	Downing	Northeast MO Health & Welfare Council	In operation
	Glen Wood	Northeast MO Health & Welfare Council	In operation
	Green Castle	Northeast MO Health & Welfare Council	In operation
Montana	None		
Nebraska	None		
Nevada	None		
New Hampshire	Gorham	White Mountain Health Services, Inc.	In operation
New Jersey	Belcoville	Memorial Park Family Practice Cen., Inc.	In operation
	Franklin	Wallkill Valley General Hospital Assn.	Loan apprvd.
New Mexico	None		
New York	Baldwinsville	Health Services Assn. of Central NY, Inc.	In operation
	Central Square	Health Services Assn. of Central NY, Inc.	In operation
North Carolina	Hot Springs	Hot Springs Health Program	Loan apprvd.
	Anderson Creek	Boone Trail Medical Clinic	In operation
	Oak City	Community Medicine Foundation, Inc.	In operation
	Faison	Goshen Medical Center, Inc.	In operation
	Morven	Morven Medical Clinic	In operation
	Rose Hill	Plain View Health Services, Inc.	In operation
	Stedman	Stedman-Wade Health Services, Inc.	In operation
	Hollister	Twin County Rural Health	In operation
	Walstonburg	Greene County Health Care	In operation
	Bunn	Bunn Community Health Center, Inc.	In operation
	Newton Grove	Tri-County Community Health Council, Inc.	In operation
	Yanceyville	Caswell Family Medical Center, Inc.	In operation
North Dakota	Killdeer	Dunn Community Health Centers, Inc.	In operation
	Halliday	Dunn Community Health Centers, Inc.	In operation
	Beulah	Mercer-Oliver Health Services, Inc.	In operation
	Center	Mercer-Oliver Health Services, Inc.	In operation
Ohio	Ironton	Ironton-Lawrence County CAO	Under const.
	Nelsonville	Family Development Programs, Inc.	In operation
Oklahoma	Billings	Billings Area Rural Health Services, Inc.	In operation
Oregon	Woodburn	Salud de la Familia	In operation

State	Location of Project	Name of Project or Borrower	Status
Pennsylvania	Blossburg	No. Penn Comprehensive Health Service	In operation
	Hyndman	Hyndman Area Health Center	Loan Apprvd.
	Mansfield	No. Penn Family Health Center	In operation
	North East	North East Health Care Center	In operation
	Snowshoe	Mountaintop Area Medical Con. Assn., Inc.	In operation
Puerto Rico	Rio Piedras	Puerto Rico Dept. of Health (Non HHS)	Loan apprvd.
Rhode Island	Harmony/Gloucester	NW Community Nursing and Health Service	In operation
	Pascoag/Burrilville	NCHAHS	In operation
	Hope Valle/Hopkinton	Wood River Health Services, Inc.	In operation
South Carolina	Fairfax	Allendale Co. Rural Helth Program, Inc.	In operation
	Olanta	Olanta Medical Center, Inc.	In operation
	Little River	Little River Medical Center, Inc.	Under const.
	Edgefield	Megals Rural Health Association	In operation
	Orangeburg	Orangeburg Co. Consumer Health Council	In operation
	Clearwater	Rural Health Services, Inc.	In operation
	Society Hill	Society Hill Family Health Clinic, Inc.	In operation
	McCellanville	Franklin C. Fetter Family Health Center	In operation
	Johns Island	Sea Island Comprehensive	In operation
	Clio	Clio Community Health Center, Inc.	In operation
	Greeleyville	Greeleyville Medical Center, Inc.	In operation
	Richburg	Lewisville Family Care Center, Inc.	In operation
	Ridgeland	Beaufort-Jasper Comprehensive Health Ser.	Cons complete
	Sharon	Westside Health Care Center	In operation
	Trenton	Trenton Family Practice Center	In operation
	Winnsboro	Fairfield Rural Health Program, Inc.	In operation
South Dakota	Alcester	Clay-Union Health Foundation, Inc.	In operation
	Elk Point	Clay-Union Health Foundation, Inc.	In operation
	Eagle Butte	Eagle Butte (Paid in Full)	In operation
Tennessee	Wartburg	Morgan County Health Council, Inc.	In operation
	Benton	Benton Medical Community Corporation	In operation
	Middleton	Middleton Medical Center, Inc.	In operation
	Rossville	Poor People's Health Council	In operation
	Stanton	Douglas Community Health Council	In operation
Texas	Ramonville	Catholic Charities, Inc.	In operation
	South Cameron	Catholic Charities, Inc.	In operation
	Groesbeck	South Limestone	In operation
Utah	Blanding	Utah Navajo Development Council	In operation
Vermont	Hardwick	Northern Counties Health Centers, Inc.	In operation
Virgin Islands	None		

State	Location of Project	Name of Project or Borrower	Status
Virginia	Hanover	Dawn Progressive Association	Loan apprvd.
	Bland	Bland County Clinic Commission, Inc.	In operation
Washington	Grays Harbor	Lake Quinault Medical Clinic Assn.	In operation
	Copalis Beach	North Beach	In operation
	Chewelah	Northeast Washington Health Assn.	In operation
	Othello	Columbia Basin Health Assn.	In operation
	Toppenish	Yakima Valley Farmworkers Clinic, Inc.	In operation
West Virginia	Harts	Harts Health Clinic, Inc.	Loan apprvd.
	Algoma	Tri-District Health Services, Inc.	Loan apprvd.
	Sutton	Braxton Medical Center, Inc.	In operation
	Camden-on-Gauley	Camden-on-Gauley Medical Center, Inc.	In operation
	Baker	E.A. Hawse Retirement Village, Inc.	In operation
	Rainelle	Community Aid, Inc.	In operation
	Matoaka	Bluestone Health Association, Inc.	In operation
	Scarbro	New River Family Health Center	In operation
Wisconsin	None		
Wyoming	None		

161 total projects

EXHIBIT B

United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D C
20250

NOV 05 1981

REC[illegible]

SUBJECT: Projects Obligated Under the Memorandum of
Understanding between HHS/USDA

TO: All State Directors, FmHA

We are aware that the Department of Health and Human Services (HHS) is reviewing its participation under The Memorandum of Understanding between HHS and USDA as a result of concerns raised by the United States General Accounting Office.

There will be a reevaluation by HHS of those projects obligated under the agreement involving new construction. For those projects that have been obligated for new construction, contracts should not be awarded.

There should not be any new projects approved under the Memorandum of Understanding until further notice. You should advise each applicant to contact the Regional HHS office to determine the status of the grant. The applicant should be advised to inform FmHA of the status of the HHS grant. The applicant should also be advised not to incur additional expenses involving projects with new construction where contracts have not been awarded.

You should provide the Community Facilities Loan Division of the National Office by memorandum with a list of the HHS projects obligated in your state for new construction where contracts have not been awarded. You should also provide the Community Facilities Loan Division of the National Office with a memorandum explaining the status of each HHS grant as reported by each applicant.

Additional information will be provided by the National Office pertaining to further processing of loans under the Memorandum of Understanding.

Charles W. Shuman
CHARLES W. SHUMAN
Administrator

FmHA Farmers Home Administration is an Equal Opportunity Lender
[illegible] of discrimination should be sent to
[illegible]

BEST COPY AVAILABLE

EXHIBIT C

United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

Dr. Edward D. Martin
Assistant Surgeon General
Director, Bureau of Health
Care Delivery and Assistance
Department of Health and Human
Services
Parklawn Building - Room 7A-55
Rockville, Maryland 20857

17 OCT 1983

Dear Dr. Martin:

We have reviewed the Draft Memorandum of Understanding between the U.S. Department of Health and Human Services and the U.S. Department of Agriculture regarding rural health facilities. The overall content of the draft is sufficient; however, we have clarified some statements addressed.

We are submitting this draft for review with the intention of continuing with the Memorandum of Understanding beyond September 30, 1983.

If you need additional information please contact John R. Bowles, Director, Community Facilities Division.

Sincerely,

NEAL SOX JOHNSON
Deputy Administrator
Program Operations

Enclosure

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DRAFT
MEMORANDUM OF UNDERSTANDING
Between
U.S. Department of Health and Human Services
U.S. Department of Agriculture
Regarding
Rural Health Facilities

Introduction

The immediate and pressing need for health care services in many rural communities is well documented. However, resources to help meet this need are limited. Therefore, it is extremely important to coordinate Federal programs, which have an impact on rural health care, in order to help rural areas with the most critical health care services problem.

Purpose

The purpose of this Memorandum of Understanding is to coordinate two such Federal programs; HHS' Health Resources and Services Administration's (HRSA) Community and Migrant Health Center Program with USDA's Farmers Home Administration's (FmHA) Community Facility Loan Program (CFLP).

Since the original interagency agreement was signed in Fiscal Year 1979, the FmHA has made loans to 170 Community and Migrant Health Centers programs grantees, totalling $57,397,300, for constructing, expanding, replacing, renovating or otherwise improving health facilities in rural medically underserved areas.

Community and Migrant Health Centers programs provide comprehensive primary health care to residents of medically underserved areas. The CFLP is designed to lend money to public bodies, nonprofit corporations, and federally recognized Indian tribes in rural communities of 20,000 or fewer people. The loan can be used to construct, enlarge, extend, acquire, or otherwise improve essential community facilities, such as medical and health care facilities.

These two programs can be directed toward the same rural medically underserved areas in order to have the strongest impact in helping to meet the health care needs of these populations. With this agreement FmHA will receive the assurance that subject to budget constraints, HHS will provide the clinics with service funds on an ongoing basis which will, in turn, provide the working capital and cash flow needed by the clinics to repay their facility loans. Services under this agreement can be available in rural medically underserved areas in all States.

Authorities

The authorities for operation of Community and Migrant Health Centers Programs of HHS are sections 330 and 329 of the Public Health Service Act. P.L. 97-414 (Orphan Drug Act) which amends section 330 (d) (2).

The authority for FmHA, CFLP, is section 306 (a) of the Consolidated Farm and Rural Development Act.

Agreement

USDA and HHS agree as follows:

USDA

FmHA will consider funding those applications having the highest priority and which will insure the effective utilization of Community Facility funds involving the most deserving projects and applicants. Each application will be carefully evaluated to ensure that applicants are likely to remain financially viable with or without the Department of Health and Human Services operating grant. FmHA will consider funding only those projects that require no more than twenty-five percent of the total operating revenues from HHS operating grants.

The FmHA agrees to develop application guidance material and technical assistance capability to enable HHS projects to plan, develop and submit applications for Community Facility loans as provided under this agreement.

The FmHA agrees to inform HHS (Community and Migrant Health Centers Programs) quarterly of any HHS project which is in arrears with the payments on its facilities loan.

HHS

The HHS agrees to give FmHA advance notice when a CHC or MH project with an FmHA loan is being considered for phase out. If a final decision to phase out is made, FmHA will receive written notification from HHS, and HHS agrees to provide funds (if needed) to the project to make payments on its FmHA loan for a reasonable length of time. In the event that during that time, the project is unable to continue as a private provider of health services, HHS agrees to assist FmHA in finding a third party to assume responsibility for the facility and the loan.

The HHS agrees to designate the counties and projects from which construction and equipment applications will be prepared and submitted. The HHS will prepare an estimate of the number and dollar value of Community Facility loan applications prior to the beginning of each fiscal year and will update it quarterly.

The HHS agrees to provide the FmHA a copy of the project application describing the following elements:

- need for facility
- existing facilities
- proposed facilities
- people to be served
- providers needed
- facility cost estimate
- annual operating budget
- maps and sketches
- conclusion and recommendation

The HHS agrees to encourage its grantees to coordinate with transportation networks in their communities.

The HHS agrees to work with grantees that have serious difficulties attracting adequate medical manpower drawing on the resources of the National Health Service Corps as well as providing assistance in recruiting from the private sector.

The HHS agrees to provide projects with operating grants as needed during the life of the Community Facilities loan, to the maximum extent funds are available. HHS agrees to work with grantees not meeting acceptable performance criteria to return them to a sound operation, if possible.

The HHS agrees to furnish the FmHA with a periodically updated list of rural medically underserved areas designated for targeting resources in Public Health Service programs which the FmHA will forward to its State Directors.

Both

The FmHA and the HHS agree to follow and update as needed an application review process which permits the FmHA State Directors and the HHS Regional Health Administrators joint review (the latter in consultation with State health departments), with concurrent review by the national offices of the respective agencies. In addition, both agencies will coordinate the application process with the State Offices designated by the Governors to coordinate Federal rural development efforts.

The HHS and the FmHA agree to develop, publicize, distribute, and explain to their national and field staffs and respective program constituencies the required procedures for submitting facility applications under the joint HHS-FmHA program.

The HHS and the FmHA National Office representatives agree to meet on a quarterly basis to review program progress, resolve operational or procedural problems, and plan necessary modifications or redirection of the program.

Modification/Cancellation Provision/Termination

Request for modifications and amendments to the Memorandum of Understanding may be initiated by either party. Such modifications or amendments will only be effective upon mutual agreement by both parties. Under no condition will either party be allowed unilateral power to modify, veto or amend any component thereof. Termination of this memorandum may be initiated by either party and will become effective upon written ratification by both parties.

Effective Date

This Memorandum of Understanding shall become effective immediately on the date it is signed by the Secretaries of USDA and HHS.

Signatures

JOHN R. BLOCK Secretary of Agriculture	MARGARET M. HECKLER Secretary of Health and Human Services

Date

Date

EXHIBIT C-1

OCT 13 1983

Mr. Charles W. Shuman
Administrator
Farmer's Home Administration
U.S. Department of Agriculture
Washington, D.C. 20250

Dear Mr. Shuman:

As you know we are awaiting your proposal for extension of the interagency agreement. My understanding from my staff is that you now are close to agreement on a response to our proposal. I am pleased to hear this since I think we should move to formalize our understanding as quickly as possible.

In the interim we are continuing to follow the procedures we have been using for review of loan applications and monitoring of grantees with loans. Enclosed you will find our newest problem project list.

The only loan application currently pending in your office is from Health West, Inc. in Pocatello, Idaho. I want to reiterate our support for that $125,000 loan. I understand that your staff is concerned that the percentage of projected income from grant support (65) is too high. It is important to note that initial grant support often is in this range. As the practice is developed and productivity rises so do patient payments and third party collections. This results in a lessening of grant support as a percentage of income.

I make this case because FmHA loans are necessary for many new grantees to establish successful operation. It is important to recognize that such grantees will tend to be heavily grant dependent at first. If we are to achieve our mutual objective of locating successful primary care clinics in the areas of greatest need, analyses of the financial viability of these practices will have to involve projections of grant dependency as well as analyses of current status. Our staff is ready to work with you on such projections.

In addition, in our view, loan decisions about grantees should reflect the success of the entire portfolio of loans to DHHS grantees. It is my understanding that at this time only two buildings of one former grantee are in inventory. I think that this is an excellent record given the fact that during 1982 the Community Health Centers program was reduced from $325 million to $246 million and Federal funding to over 200 grantees was phased out. Obviously, we may face other defaults in the future. However: (1) we fully intend to continue to cooperate fully with FmHA to find alternate arrangements for payment of mortgages in instances in which these are defaults, (2) we also intend to continue to forward fund mortgage payments when necessary to provide a transition after phaseout of grants

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Page 2 - Mr. Charles W. Shumen

and (3) the probability of grant phaseouts is now much lower than at any time in recent years due to the fact that most grantees with significant problems have had their funding phased-out.

If my staff or I can be of any further help on Health West or the agreement please do not hesitate to call upon us.

Sincerely yours,

Edward D. Martin, M.D.
Assistant Surgeon General
Director

Enclosure

cc: Lonnie Posey
Max Rogers
Karen Stroscheim, President

EXHIBIT D

NOV 3 1983

Mr. Charles W. Shuman
Administrator
Farmer's Home Administration
U.S. Department of Agriculture
Washington, D.C. 20250

Dear Mr. Shuman:

Thank you for the letter of October 17 from Mr. Neal Sox Johnson. This is to reply to it and to followup our letter of October 13 to you. First, we are pleased to have received a revision of our proposed draft agreement.

Mr. Johnson has included in the revision a new and significant provision which has not been discussed in the prior meetings which we have had since we initiated efforts to renew this agreement in March. The effect of that provision is to severely limit the usefulness of the agreement. I refer to the paragraph which reads as follows:

> FmHA will consider funding those applications having the highest priority which will insure the effective utilization of Community funds involving the most deserving projects and applicants. Each application will be carefully evaluated to ensure that applicants are likely to remain financially viable with or without the Department of Health and Human Services operating grant. FmHA will consider funding only those projects that require no more than twenty-five percent of the total operating revenues from HHS operating grants.

The problem with this provision is that Community Health Center (CHC) grants are targeted to medical centers in areas of high poverty and high unemployment. The CHC grants are used primarilly to subsidize medical care for the poor. At the onset of the grant most CHC will find Federal support essential to subsidize the sliding fee scale for the poor and near poor they serve. This is often the point at which the center needs a new or improved facility in order to move toward financial viability. The practical problem is illustrated by the fact that of the current holders of FmHA loans who still receive CHC grants, 85% receive 25% or more of their operating budget from CHC grant support. For that matter 44% of these current lendees receive 50% or more in grant support. While it is true that more than a third of the lendees now are free of departmental support, most of those went through a period of heavy grant dependence.

Assuming that the concern you are expressing in introducing this provision is one for the stability and safety of the portfolio, we would recommend that you look instead to the actual performance of the entire 170 loans made to the Department of Health and Human Services grantees. As we noted in our letter of October 13, only one of these loans resulted in facilities being placed in inventory during the three years of the agreement.

Within our ability we have attempted to respond to your [illegible] potential defaults. For example, we have agreed to the [illegible] formal set aside of funds by FmHA for these loans with [illegible] that fewer and more selective grantees will exercise [illegible] agreed to provide funding to meet mortgage payments [illegible] the service life of the grant, where necessary, [illegible] will not be placed in inventory. We have agreed to [illegible] reporting requirements.

Mr. Jeff Human of our staff has begun to explore [illegible] possible solutions that might be mutually acceptable [illegible] it if you could reconsider in particular the definition [illegible] cut off.

Thank you for your consideration.

Sincerely yours,

/S/

Edward D. Martin, M.D.
Assistant Surgeon General
Director

Prepared by:BHCDA/DPCS/RH/JHuman:efm/10/25/83
Revised by:BHCDA/OD/DPCS/RH/Corrigan:Human/10/31/83
Doc. Id 0415d

United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

EXHIBIT E

8 FEB

Dr. Edward D. Martin
Assistant Surgeon General
Director, Bureau of Health Care
Delivery and Assistance
Department of Health and Human Services
Parklawn Building - Room 7A-59
Rockville, MD 20857

Dear Dr. Martin:

Thank you for the letter of January 18, 1984, regarding the proposed Memorandum of Understanding. The draft memorandum you forwarded is acceptable with the exception of the changes in loan terms. Due to the volatility of the health industry, we do not desire to provide financing beyond 20 years for this type of project.

A clean draft is enclosed for your consideration. If you concur in the draft, we propose to recommend the attached memorandum to our administrator for his concurrence and his signature.

Sincerely,

NEAL SOX JOHNSON
Deputy Administrator
Program Operations

Enclosure

FmHA Farmers Home Administration is an Equal Opportunity Lender
Complaints of discrimination should be sent to
Secretary of Agriculture, Washington, D.C. 20250

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DRAFT
MEMORANDUM OF UNDERSTANDING
Between
U.S. Department of Health and Human Services
U.S. Department of Agriculture
Regarding
Rural Health Facilities

Introduction

The immediate and pressing need for health care services in many rural communities is well documented. However, resources to help meet this need are limited. Therefore, it is extremely important to coordinate Federal programs which have an impact on rural health care, in order to help rural areas with the most critical health care services problem.

Purpose

The purpose of this Memorandum of Understanding is to coordinate two such Federal programs; Department of Health and Human Services' (HHS) Health Resources and Services Administration's (HRSA) Community and Migrant Health Center programs with USDA's Farmers Home Administration's (FmHA) Community Facilities Loan Program (CFLP).

Since the original interagency agreement was signed in Fiscal Year 1979, the FmHA has made loans to 170 Community and Migrant Health Centers programs grantees, totalling $57,397,300, for constructing, expanding, replacing, renovating or otherwise improving health facilities in rural medically underserved areas.

Community and Migrant Health Centers programs provide comprehensive primary health care to residents of medically underserved areas. The CFLP is designed to lend money to public bodies, nonprofit corporations, and federally recognised Indian tribes in rural communities of 20,000 or fewer people. The loan can be used to construct, enlarge, extend, acquire, or otherwise improve essential community facilities, such as medical and health care facilities.

These two programs can be directed toward the same rural medically underserved areas in order to have the strongest impact in helping to meet the health care needs of these populations. With this agreement, FmHA will receive the assurance that subject to budget constraints, HHS will provide the clinics with service funds on an ongoing basis which will, in turn, provide the working capital and cash flow needed by the clinics to repay their facility loans. Services under this agreement can be available in rural medically unddrserved areas in all States.

Authorities

The authorities for operation of Community and Migrant Health Centers programs of HHS are sections 330 and 329 of the Public Health Service Act and P.L. 97-414 (Orphan Drug Act) which amends section 330(d)(2).

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The authority for FmHA, CFLP is Section 306 (a) of the Consolidated Farm and Rural Development Act.

Agreement

USDA and HHS agree as follows:

USDA

FmHA will consider funding those applications having the highest priority and which will insure the effective utilization of Community Facility funds involving the most deserving projects and applicants. Each application will be carefully evaluated to ensure that applicants are likely to remain financially viable with or without the Department of Health and Human Services operating grant. FmHA will consider making loans to community health centers (CHC) and migrant health (MH) projects which apply and receive approval from HHS. The amortization of the FmHA loan will depend upon the percent of the project's total operating revenues which require HHS grant support as follows:

- Projects requiring 25 percent or less HHS grant support - amortization not to exceed 20 years.

down from 30 yrs

- Projects requiring 26-50% of grant support - amortization not to exceed 15 years.

" " 25 yrs

- Projects requiring 51-75% grant support - amortization not to exceed 10 years.

no change

- Projects requiring 76% or more grant support would not be eligible for assistance through FmHA.

we propose 5 yrs.

FmHA agrees to develop application guidance material and technical assistance capability to enable HHS projects to plan, develop and submit applications for Community Facilities loans as provided under this agreement.

FmHA agrees to inform HHS (Community and Migrant Health Centers programs) monthly of any HHS project which is in arrears with the payments on its facility's loan.

HHS

HHS agrees to provide projects with annual operating grants as needed during the life of the Community Facilities loan, in amounts sufficient to amortize annual loan costs, to the maximum extent funds are available. HHS agrees to work with grantees not meeting acceptable performance criteria to return them to a sound operation, if possible.

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The HHS agrees to require that all projects requesting FmHA loans submit to FmHA a 5-year projection of financial status, including grant dependence, using the regular FmHA protocol for such projections.

The HHS agrees to provide the FmHA a copy of the project summary data sheet describing the following elements:

- o need for facility
- o existing facilities
- o proposed facilities
- o people to be served
- o providers needed
- o facility cost estimate
- o annual operating budget
- o maps and sketches
- o conclusion and recommendation

The HHS agrees to encourage its grantees to coordinate with transportation networks in their communities.

The HHS agrees to work with grantees that have serious difficulties attracting adequate medical manpower, drawing on the resources of the National Health Service Corps as well as providing assistance in recruiting from the private sector.

The HHS agrees to provide FmHA a monthly monitoring list of projects with FmHA loans which have potential problems that may affect their payback capability.

The HHS agrees to give the FmHA advance notice when a CHC or MH project with an FmHA loan is being considered for phaseout. If a final decision to phaseout is made, the FmHA will receive written notification from HHS, and HHS agrees to provide funds (if needed) to the project to make payments on its FmHA loan for a reasonable length of time. In the event that, during that time, the project is unable to continue as a private provider of health services, the HHS agrees to assist the FmHA in finding a third party to assume responsibility for the facility and the loan.

Both

The FmHA and the HHS agree to follow and update, as needed, an application review process which permits the FmHA State Directors and the HHS Regional Health Administrators joint review (the latter in consultation with State health departments), with concurrent review by the national offices of the respective agencies. In addition, both agencies will coordinate the application process with the State offices designated by the Governors to coordinate Federal rural development efforts.

The HHS and the FmHA agree to develop, publicize, distribute, and explain to their national and field staffs and respective program constituencies the required procedures for submitting facility applications under the joint HHS-FmHA program.

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The HHS and the FmHA national office representatives agree to meet on a quarterly basis to review program progress, resolve operational or procedural problems, and plan necessary modifications or redirection of the program.

Modification/Cancellation Provision/Termination

Request for modifications and amendments to the Memorandum of Understanding may be initiated by either party. Such modifications or amendments will only be effective upon mutual agreement by both parties. Under no condition will either party be allowed unilateral power to modify, veto or amend any component thereof. Termination of this memorandum may be initiated by either party and will become effective upon written ratification by both parties.

Effective Date

This Memorandum of Understanding shall become effective immediately on the date it is signed by the Secretaries of USDA and HHS.

Signatures

CHARLES W. SHUMAN
Administrator

MARGARET M. HECKLER
Secretary of Health and Human
Services

Date

Date

Statement of

Aliceann Wohlbruck

Executive Director

On Behalf of

The National Association of Development Organizations

STATEMENT BY ALICEANN WOHLBRUCK, EXECUTIVE DIRECTOR, ON BEHALF OF THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS, BEFORE THE SUBCOMMITTEE ON CONSERVATION, CREDIT AND RURAL DEVELOPMENT OF THE COMMITTEE ON AGRICULTURE, U.S. HOUSE OF REPRESENTATIVES, MAY 16, 1984

INTRODUCTION

Mr. Chairman, members of the Subcommittee on Conservation, Credit and Rural Development, I am submitting this testimony on behalf of the National Association of Development Organizations (NADO) whose primary focus is on creating private sector jobs in rural areas and small towns. The members of our association are eager to work with the Congress to shape an agriculture and rural development policy that will benefit farmers, urban consumers and rural residents.

NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

NADO was founded in 1967 by a group of economic development districts to encourage the creation and retention of jobs in rural areas and small communities. Today our members are multi-county planning and development organizations and other state and local agencies which help local governments and the private sector to work together.

ECONOMIC DEVELOPMENT DISTRICTS

For thousands of communities development district staffs provide the only professional assistance to governments, businesses and citizens in the field of economic development. By working cooperatively through development districts, local governments and the private sector can maintain and create jobs with a minimum of control from Washington and maximum local participation. Development districts have become an essential part of the "institutional infrastructure" in much of rural America. The infrastructure crisis is usually thought of in terms of our nation's physical public facilities. There is little doubt that much of our nation's existing physical infrastructure needs reconstruction, rehabilitation or repair. It is indeed unfortunate that the "system" did not provide for better maintenance and ensure that replacement funds would be put aside over the years. What we are now experiencing in the guise of a physical infrastructure "crisis" is really only the result of institutional failure.

Without an adequate institutional infrastructure -- appropriate fiscal planning, budgeting, and expenditure policies included -- we are doomed to repeat such physical crises on a cyclical basis. We need to deal with the coordinated development of public and private capital facilities on a life-cycle cost basis. The need for investment strategies is particularly important in rural areas where both public and private resources are scarce.

RURAL DEVELOPMENT REORGANIZATION ACT OF 1984

Our goal in appearing before you today is to reenforce your concern for the needs of the one-third of the U.S. population who live in rural areas. Of these 82 million citizens, only 2.2 million, or 2.7 percent, are directly employed on farms, but many of the rest depend upon agriculture, forestry, or fisheries for part of their income. On the other side of the coin, many farmers depend upon off-farm income for an adequate total income. We believe it is important for this Committee to be supportive of the needs of all these rural people for jobs, housing, community facilities, and government services. While there is a Department of Housing and Urban Development there is no Department of Rural Development. Those of us who serve rural citizens often have a hard time being heard in the halls of Congress and at the White House when we point out development needs in rural areas. Rural is often believed to be the same agricultural and to some just putting rural and development together is improper.

NADO members were pleased to see Rep. Watkins introduce H.R. 5024, Rural Development Reorganization Act of 1984, which recognizes that non-farm development programs are essential to the economic well-being of our nation's rural communities.

The membership and Board of Directors have not discussed this bill, so we cannot endorse the legislation at this time. While we think that increased visibility of the rural development functions within USDA is important, our past experience with reorganization efforts causes us to wonder if it is useful for Congress to spend time on administrative changes within the department when the funding for the major non-farm development programs is being cut, transferred and administratively complicated and delayed.

With regard to the sections of the bill dealing with Resource Conservation and Development Councils, we have particular reservations based on our experience. Federally mandated organizations tend to create more problems at the local level than they solve. In the past, our membership has expressed concerns about increasing the number of federally mandated special purpose organizations such as R.C. and D. agencies which are not under the direct control of elected general purpose local government officials.

RURAL ECONOMIC DEVELOPMENT PROBLEMS, NEEDS, ISSUES

We understand how important agriculture is to the economy of our country and to the communities that we serve. It is clear that without agricultural exports our balance of trade would be even worse. But the preeminence of agriculture in many rural economies should not blind us to the non-farm needs in rural communities and to the economic variety among nonmetropolitan areas.

While the 1980 census shows that population in all rural regions rose by 15.4 percent between 1970 and 1980, some rural areas continue to decline. In growing areas, the increase has placed new burdens and pressures on local governments. The demand for services is up and the need for new jobs is evident to those of us who serve rural areas. In declining areas, we continue to face the problems common to most rural areas in the past — decreased tax bases, aging populations, and lack of non-farm employment opportunities for young people.

The 1979 Structures Study by the U.S. Department of Agriculture showed that many small farmers are able to keep their farms because someone in the family has an outside job. The availability of jobs, according to the study, is the most serious economic problem for small farmers.

As the Subcommittee considers Rep. Watkins' bill, we ask that you keep the following facts in mind about rural areas:

Over-Specialization by Economic Sector - Rural areas are often more dependent upon one or two economic activities for the majority of employment. Dominant activities vary from one area to another. Mining, agriculture, forestry, fishing and tourism are the usual major employers.

Isolation - Rural areas are often more physically and culturally isolated from major markets. Rural manufacturing firms are often not as aware of changes in buying habits as firms closer to major consumer areas.

Transportation - Many rural areas lack the air, rail and highway facilities to attract and hold business. Adequate transportation facilities are not only absent in many rural areas, but others such as secondary highways and bridges are poorly maintained due to a lack of funds. NADO recently established a committee to examine transportation needs in rural areas, particularly as they relate to economic development. Our preliminary findings confirm rural residents' concerns about the lack of adequate transportation, particularly highways. We find that nonmetropolitan counties that do not have Interstate highways have significantly lower per capita incomes than those that do.

NADO's Transportation Committee found that of 179 million people served by the Interstate Highway System, 164 million, or 91.2 percent, live in urban areas while only 16 million, or 8.8 percent, live in rural areas, although rural residents pay more than 20 percent of all the highway use taxes collected by the federal government. In the State of Georgia an examination of motor fuel tax collection records revealed that per capita motor fuel tax collections are significantly higher in rural counties than in more populous counties. In that state, per capita collections of motor fuel taxes in counties with less than 50,000 population are 25 percent higher than in more populous counties. This finding is not surprising since nearly all rural residents are totally dependent on private vehicles for transportation and since sources of goods and services are widely dispersed. According to the Census, urban areas have much higher per capita incomes, higher per capita retail sales, and higher per capita assessed property valuation than do rural areas. Yet rural residents are being required to pay highway-use taxes for expensive urban roads while the roads they don't use. Indeed, these highways are making urban areas much more attractive for economic development at the direct expense of rural America. With the support of NADO and other rural groups the House Public Works Committee adopted an amendment to the 1984 highway bill which mandates a study of rural residents' payments and federal aid highway expenditures in rural counties.

Unemployed Are Exported - Unemployment figures for rural areas not only are statistically unreliable, but also are often misleading because the unemployed leave the labor force, if not the area, after a period of unsuccessful job searching. Youth outmigration is still a problem.

Small Community Tax Bases Makes Debt Financing Difficult - Rural communities often lack the ability to finance public facilities to attract businesses on their own. The small population and tax base of many rural communities effectively prohibits any expansion of existing publicly-owned utilities without outside help. At the same time, in many small towns the local banks have been selling, not buying, tax-exempt bonds, because changes in the tax laws make these bonds less attractive to small institutions. Yet, the congress has approved, with the support of the Administration, further restrictions on the issuance of Industrial Development Bonds which have been the only way for many rural governments to compete for development with big cities (which have a much larger tax bases and more resources to attract new development.)

Rural Areas Lack Capital Markets - A 1981 study done for the U.S. Department of Commerce reported that the unmet capital demand is highest in rural areas; small firms have the most difficulty obtaining capital; and independent firms are at a disadvantage in capital markets. For both the farmer and the small business person in rural America, the availability and cost of borrowing money is a major problem. The transformation of American lending institutions is having a profound effect on rural areas. Until recently rural businesses could count on doing business with their local bank which was safely isolated from the vicissitudes of international money markets. For rural banks, the cost of funds was often below the prime rate. This is no longer the case and rural businesses and farmers pay interest rates the same as or higher than urban entrepeneurs.

Historic Demand Shows Greater Need in Rural Areas for Basic Facilities Aid - Rural areas have historically sought different types of federal assistance than urban areas. In 1978, nonmetropolitan areas received $49 more per capita in community facilities assistance, $40 more per capita in business and industrial development and $21 more per capita in natural resources outlays than urban areas. Urban areas received $224 more per capita in defense contracts, $66 more per capita in housing, and $33 more per capita in transportation spending.

Poverty Indicators Higher for Rural Areas - The incidence of poverty is significantly higher in rural areas -- at least 35 per cent of the nation's poor are in rural areas. Rural people experience poorer health than urban dwellers and there is a shortage of medical services in rural areas. The incidence of substandard housing is three times higher in rural than in urban areas. Per capita income in rural areas continues to lag substantially behind the national average.

Farmers Face Financial Problems - The cost of money has risen faster than any other item in the production of crops, and many farmers are facing a serious problem because they have excessive debt loads. In the 1970's some farmers were able to survive economically by increasing their debt load by borrowing against their increasing land values. When land values began to decline in 1980 a large group of farmers (perhaps as many as ten percent) were burdened with excessive debt loads and are vulnerable to bankruptcy. In many rural areas these bankruptcies will have a very detrimental effect on local economies. The value of farm land already has eroded local tax bases which depend heavily on real property taxes.

THE FEDERAL RESPONSIBILITY

The federal responsibility for promoting the economic welfare of the nation is little disputed. Differences arise as to the extent of responsibility and the methods to be employed in meeting these obligations.

We believe that the federal government has a responsibility to encourage, in fact to foster, economic development in rural and urban areas. Not all communities are equally endowed with economic resources and the effects of broad macro-economic policies do not fall evenly across the land. In fact, we see an abundance of cases in which federal policies benefit the economies of a few relatively affluent communities at a cost to others which have higher unemployment and lower household incomes. (For example, the procurement of major weapons systems is limited to a few firms in wealthy urban areas.)

While we do not seek more than an equitable share for rural areas for development programs, we believe that the programs which help the most rural (the "truly rural" if you will) areas to become economically self-sufficient have taken a disproportionate share of budget cuts during the last three years. For the fourth consecutive year, the Administration has proposed a package of funding cuts which would adversely affect rural economic development. The 1985 Budget proposes the following:

* Eliminate the Economic Development Administration
* Abolish the Appalachian Regional Commission
* Substantially reduce funding for Farmers Home Administration water, waste disposal and community facility loans
* Abolish the Business and Industry Loan program
* Reduce Rural Rental Housing Loans
* Abolish the Resource Conservation and Development program
* Abolish the Rural Development Loan Fund
* Radically alter Rural Electrification Administration programs to increase costs borne by rural consumers and businesses

If these budget proposals are accepted by Congress, rural communities could no longer rely on the federal government for needed economic development assistance. And, few state governments are fiscally able to fill the gap. The result would be a ripple effect since the federal programs tend to be closely linked with private sector investment. In short, program terminations and reductions in funding would effectively decrease the rate of growth in some rural areas and accelerate economic decline and continue population loss in others.

Federal programs to stimulate rural development have been cut significantly during the past five years. Prior to the 1983 Jobs bill, FmHA rural development programs had been cut by nearly 70 percent. Federal funds for urban development have had much smaller reductions, and are scheduled for no reduction in the 1985 budget. One small example may help you understand the urban bias in the administration of development programs under this administration. Last year, the Congress approved an amendment to the 1983 Housing bill which permitted $2.5 million of the small cities Urban Development Action Grant (UDAG) funds to be used to provide technical assistance to rural communities which have found it virtually impossible to participate in the small cities UDAG program. The Department of Housing and Urban Development has refused to spend that money. Truly rural small cities have very few experts available to them. The General Accounting Office (GAO) has documented the fact that UDAG-eligible small cities with populations under 2500 rarely apply and even more rarely receive funding. Although eligible communities under 2500 population account for 79.5 percent of the total, they account for only 0.8 percent of the UDAG awards and only 2.2 percent of UDAG applications. When they do apply their success rate is only 37.4 percent, compared to 70 percent for communities over 10,000 population.

When the Administration asks for reductions in rural programs such as EDA, ARC and FmHA, they often say that small communities can obtain assistance from HUD. But as the UDAG example shows, when "rural" programs are administered by HUD, nonmetropolitan small towns are at a great disadvantage.

It seems to NADO members that each time Congress mandates a rural program, the Administration frustrates their intentions. Another example was raised in a recent letter from NADO member William J. Baum, Executive Director of the East Central Iowa Economic Development District in Iowa. We would like to quote his February 17, 1984 letter in full:

> Although we are members of NADO, traditionally I have not shared your rural oriented view of the Washington scene. More recently, however, I am beginning to understand your theme that rural programs are not being funded while similar urban programs are.
>
> Congress passed the Housing and Urban-Rural Recovery Act of 1983 in November. For urban areas, a rental rehabilitation program operated by HUD has been authorized and appropriations are being made. For rural areas, however, Title V, Section 533 of the act establishes a rural housing preservation grant program with a $100 million authorization. But the FmHA has not been requested an appropriation, will not do so in FY85, and Congress therefore is not funding the program.
>
> Unlike CDBG and UDAG, rural areas are not allowed to compete for the HUD rental rehab. program. I would ask that you investigate this disparity and work with Congress for either an appropriation for the rural areas, or a change in the law allowing small cities to compete for the HUD rental rehab. program.

RURAL COMMUNITIES AND THE AMERICAN FARM: A PARTNERSHIP FOR PROGRESS

Although our members have not yet had an opportunity to study the Secretary of Agriculture's 1984 rural development strategy report and provide their comments to me, it does appear that there is ample cause for both complimentary and critical comments. On the good side, the theme of the report is appropriate, and most of the problem statements are reasonably accurate. By contrast, one can more easily argue with the reports of progress and one certainly can criticize the proposed initiatives as too limited to meet rural needs.

Clearly, the document does not represent a real rural development strategy. This should not be surprising. The President apparently believes that domestic development strategies are not an appropriate federal concern and the Secretary of Agriculture seems to consider non-farm rural developmermt programs as simply a source for reprogramming additional funds for farm programs.

As long as the federal executive branch seeks to avoid spending money in support of existing national rural development objectives articulated in duly enacted federal statutes, we cannot expect it to produce an activist rural development strategy. This does not mean that we must be content with what it produces.

For example, it is curious to find an administration which supposedly believes in increased state and local government involvement plans to rely almost completely on federal agency actions for its rural development initiatives. Rather than substituting federal agency dissemination of information for rural development program funding, the Administration could do more good by implementing existing program authorities and working with existing rural institutions such as subsate districts.

CONCLUSION

Although NADO certainly does not believe that government can or should solve all of rural America's problems, including many of those afflicting farmers, the federal government owes its rural citizens equitable treatment within the overall context of the larger, national economic welfare.

We have worked with the Office of Rural Development Policy within the Department of Agriculture to explore remedies for existing inequities. Unfortunately, that office is severely constrained in its role as an advocate for constructive federal attention to rural needs because of the Administration's general policies toward rural development programs.

We have also tried to work with the Small Business Administration, with mixed results. While SBA's Certified Development Company (Section 503) program has been quite useful in many rural areas, we have found it difficult to get needed small business management assistance in rural areas, although SBA funds such assistance in urban areas.

Similar comments pertain to many other federal agencies and programs as indicated earlier in our testimony.

We realize that this subcommittee is not responsible for all of the federal programs that affect rural citizens, and know that it is not in your power to redress all of the inequities that we have outlined today. NADO is grateful for the members of this subcommittee's continuing support of rural economic development programs.

We believe that it is important for the Agriculture Committee to be the defender of rural citizens so that there is some semblance of equity in the distribution of federal funds for all purposes. No other committee in congress has such a comprehensive view of the factors which affect rural Americans. Those of us who are working at the local level to improve the lives and livelihood of those who reside in rural areas need your help and support.

The members and staff of NADO would be happy to work with the Subcommittee as it considers H.R. 5024 and other rural development legislation to see that some of the problems that I have outlined are addressed. We appreciate the opportunity to testify and will be happy to answer any questions.

TESTIMONY OF

BARTON D. RUSSELL
EXECUTIVE DIRECTOR
NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, MY NAME IS BART RUSSELL. I AM TESTIFYING TODAY IN MY CAPACITY AS EXECUTIVE DIRECTOR OF THE NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS (NATaT), WHICH REPRESENTS OVER 13,000 SMALL, PREDOMINANTLY RURAL GOVERNMENTS NATIONWIDE. THE PURPOSE OF OUR ORGANIZATION IS TO STRENGTHEN THE EFFECTIVENESS OF SMALL, RURAL GOVERNMENTS AND PROMOTE THEIR INTERESTS IN THE PUBLIC AND PRIVATE SECTORS.

ON BEHALF OF THE BOARD OF DIRECTORS OF NATaT, I WOULD LIKE TO THANK YOU FOR PROVIDING OUR ASSOCIATION WITH THIS OPPORTUNITY TO COMMENT ON H.R. 5024, THE RURAL DEVELOPMENT REORGANIZATION ACT OF 1984 AND THE U.S. DEPARTMENT OF AGRICULTURE'S 1984 RURAL DEVELOPMENT STRATEGY REPORT. AS THE NATaT BOARD OF DIRECTORS WILL BE UNABLE TO GIVE FORMAL CONSIDERATION TO H.R. 5024 AND THE RURAL DEVELOPMENT STRATEGY UNTIL EARLY JUNE, 1984, MY COMMENTS ARE PRELIMINARY IN NATURE WITH RESPECT TO BOTH INITIATIVES. AS AN ASSOCIATION REPRESENTING THE NEEDS AND CONCERNS OF LOCAL OFFICIALS FROM SMALLER COMMUNITIES, WE ARE HERE TO PROVIDE INITIAL COMMENTS IN WHAT WE HOPE WILL BE AN ONGOING DIALOGUE ON RURAL DEVELOPMENT ISSUES -- A DIALOGUE THAT WILL RESULT IN ACTION BEING TAKEN TO ADDRESS RURAL DEVELOPMENT PROBLEMS.

H.R. 5024, THE RURAL DEVELOPMENT REORGANIZATION ACT OF 1984

MR. CHAIRMAN, WE APPLAUD THE EFFORTS OF REPRESENTATIVE WES WATKINS TO TURN THE TIDE AGAINST CURRENT EFFORTS TO

DISENFRANCHISE RURAL COMMUNITIES OF THEIR RIGHT TO RECEIVE TREATMENT EQUAL TO FARM OR URBAN INTERESTS. WE BELIEVE WHOLEHEARTEDLY IN THE PHILOSOPHY AND CONCEPT INHERENT IN H.R. 5024 -- THAT THE FEDERAL GOVERNMENT MUST ADDRESS THE DEVELOPMENT NEEDS OF RURAL COMMUNITIES IN A MANNER CONSISTENT WITH ITS ATTENTION TO FARM AND URBAN NEEDS.

TO SAY THAT THIS IS CURRENTLY NOT THE CASE IS AN UNDERSTATEMENT. DESPITE THE FACTS THAT AN UNPRECEDENTED NUMBER OF PEOPLE HAVE BEEN MOVING INTO RURAL AREAS, THAT RURAL COMMUNITIES MANAGE SOME OF THE NATION'S MOST VALUABLE NATURAL RESOURCES, AND THAT SERIOUS INFRASTRUCTURE PROBLEMS PLAGUE THE RURAL COUNTRYSIDE, THE ADMINISTRATION SHOWS LITTLE INTEREST IN MAINTAINING A FINANCIAL COMMITMENT TO RURAL DEVELOPMENT NEEDS. REPEATEDLY, THE U.S. OFFICE OF MANAGEMENT AND BUDGET HAS MOVED TO CUT BACK OR ELIMINATE THE MINIMAL LEVEL OF FUNDING FOR RURAL COMMUNITY PROGRAMS IN THE FARMERS HOME ADMINISTRATION. THIS TREND MUST STOP IF RURAL GOVERNMENTS ARE TO SURVIVE THE CURRENT ECONOMIC PROBLEMS BROUGHT ON BY THE DECLINE OF THE FARM COMMUNITY. REPRESENTATIVE WES WATKINS' BILL, H.R. 5024, HELPS BRING MUCH-NEEDED ATTENTION TO THE DEFICIENCIES IN CURRENT ADMINISTRATION POLICY. THE NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS IS CONCERNED, HOWEVER, THAT REPRESENTATIVE WATKINS' EFFORT MAY NOT BE ENOUGH. A RECENT ISSUE OF *THE WASHINGTON POST* PUT THE SITUATION THIS WAY: "REPRESENTATIVE WES WATKINS, A BIG PROMOTER OF RURAL AMERICA...HAS INTRODUCED A BILL PROPOSING TO REORGANIZE THE U.S. DEPARTMENT OF AGRICULTURE AND HENCEFORTH CALL IT THE DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT.

But he may be too late. The Reagan Administration, by executive fiat and budget moves, has worked mightily to dismantle the department's rural and community development programs."

Mr. Chairman, we share Representative Watkins' concerns and support his efforts to force Congress and the Administration to pay attention to the needs of rural Americans. It must be recognized, however, that the authority to perform the initiatives prescribed in H.R. 5024 already exists in large measure in the Rural Development Policy Act of 1980 -- yet that authority has generally not been exercised. As a result, while we support the concept behind Representative Watkins' bill, we believe that we must also concentrate our resources on initiatives that yield specific results -- that is -- financial and appropriate technical assistance for rural governments.

Towards these goals, we would like to take this opportunity to stress our Association's belief that the U.S. Congress should move to reinstate funding to at least 1980 levels for all of the Farmers Home Rural Development programs.

In addition, Mr. Chairman, we would like to take this opportunity to request the full support of the subcommittee's membership for Representative Roy Rowland's important amendment to H.R. 5504, adopted by the House Public Works Committee, when that bill comes before the full House. Representative Rowland's amendment would require the U.S.

DEPARTMENT OF TRANSPORTATION TO DETERMINE THE AMOUNT OF MOTOR FUEL TAXES PAID BY RESIDENTS OF RURAL COUNTIES VERSUS THE AMOUNT OF FEDERAL AID HIGHWAY FUNDS SPENT IN RURAL COUNTIES. WE BELIEVE THAT THIS AMENDMENT IS AN IMPORTANT FIRST STEP TOWARDS REMEDYING CURRENT INEQUITABLE TREATMENT OF RURAL AREAS IN THE DISTRIBUTION OF THE FEDERAL MOTOR FUELS TAX.

USDA'S 1984 RURAL DEVELOPMENT STRATEGY REPORT

MR. CHAIRMAN, I WOULD LIKE TO BEGIN MY COMMENTS ON THE U.S. DEPARTMENT OF AGRICULTURE'S 1984 RURAL DEVELOPMENT STRATEGY BY ASKING THE QUESTION: "WHERE'S THE STRATEGY?" ACCORDING TO THE RURAL DEVELOPMENT POLICY ACT OF 1980, THE STRATEGY IS SUPPOSED TO DEVELOP A SPECIFIC PLAN OF ACTION TO ALLEVIATE THE PROBLEMS OF DISADVANTAGED RURAL RESIDENTS; DEVELOP A FULL RANGE OF BUSINESS AND EMPLOYMENT OPPORTUNITIES; IMPROVE STATE AND LOCAL GOVERNMENT MANAGEMENT; STRENGTHEN THE FAMILY FARM; AND PROTECT THE ENVIRONMENT AND NATURAL RESOURCES. BY CONTRAST, THE USDA'S 1984 STRATEGY PRIMARILY LISTS CURRENT FEDERAL PROGRAMS THAT, ACCORDING TO THE ADMINISTRATION, BENEFIT RURAL COMMUNITIES. GIVEN THE DEPTH OF THE PRESSURES AND PROBLEMS CONFRONTING VIRTUALLY THOUSANDS OF AMERICAN SMALL TOWNS ACROSS THE COUNTRY, NATaT BELIEVES A MUCH MORE COMPREHENSIVE APPROACH TO POLICYMAKING IS NEEDED TO MAKE A NATIONAL RURAL DEVELOPMENT STRATEGY EFFECTIVE.

TO DO THIS, WE MUST TRULY UNDERSTAND THE CONDITIONS WHICH EXIST IN THESE SMALL TOWNS. AT PRESENT, MANY RURAL GOVERNMENTS FACE BOTH AN INSTITUTIONAL AND FINANCIAL CRISIS. WITH FINANCIAL DEREGULATION AND GROWING PROBLEMS IN THE FARM AND OTHER ECONOMIC SECTORS HITTING RURAL GOVERNMENTS SIMULTANEOUSLY, UNEMPLOYMENT OR UNDEREMPLOYMENT AND A LACK OF AVAILABLE CREDIT ARE GROWING CONCERNS. RURAL COMMUNITIES ARE ALSO BESET WITH LARGE INFRASTRUCTURE FINANCING PROBLEMS SUCH AS FINDING FUNDS FOR BRIDGE AND ROAD REPAIR AND MAINTENANCE OR CONSTRUCTION OF ADEQUATE WASTEWATER TREATMENT PLANTS TO MEET THE CLEAN WATER STANDARDS REQUIRED IN THE EPA NATIONAL MUNICIPAL POLICY. IF CURRENT TRENDS CONTINUE, SOME PREDICT THAT MANY RURAL COMMUNITIES WILL SIMPLY "GO UNDER." THIS WOULD DESTROY A WAY OF LIFE THAT HAS BEEN IMPORTANT, NOT ONLY TO THOSE WHO CHOOSE A RURAL LIFESTYLE, BUT TO THE COUNTRY AS A WHOLE WHICH DEPENDS ON ECONOMIC DIVERSITY AND STRENGTH AT THE SMALL TOWN LEVEL TO STIMULATE NATIONAL GROWTH AND PRODUCTIVITY.

MR. CHAIRMAN, A PROPERLY CONSTRUCTED NATIONAL RURAL DEVELOPMENT STRATEGY COULD GO A LONG WAY TO HELP PREVENT THIS TRAGIC OUTCOME. NATaT BELIEVES THAT THE FUNDAMENTAL PREMISE OF SUCH A STRATEGY SHOULD BE THAT LOCAL GOVERNMENTS ARE THE LINCHPIN IN SUCCESSFUL RURAL DEVELOPMENT. THERE ARE NEARLY 30,000 UNITS OF RURAL LOCAL GOVERNMENT IN THE U.S. TODAY. THEY HAVE THE STATUTORY MANDATE TO PROMOTE THE SAFETY, HEALTH AND WELFARE OF THEIR CITIZENS. THEY ALSO HAVE SPECIFIC AUTHORITY FROM THE STATES TO RAISE CERTAIN REVENUES AND UNDERTAKE RURAL DEVELOPMENT PROJECTS.

Charles Bannerman, President of the Mississippi-based Delta Foundation, recognized that local governments are central to rural economic development in a study he conducted for the U.S. Economic Development Administration. The study, which addressed what is needed in the 1980's to promote successful rural development, concluded that strong public institutions -- local governments, regional councils, development districts, etc. -- are mandatory. Without strong public institutions, the study stated, rural development "investments" will yield poor results.

In order to capitalize on the enormous rural development potential which local governments represent, NATaT strongly recommended to USDA that its strategy call for $5 to $10 million in funding under its Section III program -- a technical assistance program designed to improve the rural development capacity of these public institutions in the countryside. NATaT made this recommendation jointly with the National Association of Development Organizations, the National Association of Counties, and the National Association of Regional Councils.

In addition, this coalition further recommended that the strategy call for the USDA to perform an annual "rural impact" analysis of the U.S. budget. With respect to the budget, we also urged the Department to make a modest commitment to funding its own rural community facilities grant and loan programs by reinstating these programs at 1980 funding levels.

MR. CHAIRMAN, IF YOU BELIEVE IN THE BASIC PREMISE THAT RURAL GOVERNMENTS REPRESENT AN IMPORTANT, IF NOT THE PRIMARY, ELEMENT IN THE LOCAL RURAL DEVELOPMENT PROCESS, IT WOULD FOLLOW THAT A NATIONAL STRATEGY FOR RURAL DEVELOPMENT WOULD BE BASED ON THIS THEME. IT WOULD ALSO FOLLOW, IN MY OPINION, THAT TECHNICAL ASSISTANCE FUNDING FOR RURAL GOVERNMENTS WOULD BE GIVEN A PRIORITY IN SUCH A NATIONAL STRATEGY. THIS WAS OUR RECOMMENDATION, BUT IT WASN'T REFLECTED, OR ALLUDED TO, IN THE ADMINISTRATION'S 1984 STRATEGY.

IF YOU BELIEVE THAT THE FEDERAL GOVERNMENT HAS A FINANCIAL SUPPORT ROLE IN THE RURAL DEVELOPMENT PROCESS, HOWEVER MODEST IN THESE TIMES OF FINANCIAL CONSTRAINTS, IT WOULD ALSO FOLLOW THAT A COMMITMENT WOULD BE MADE IN A NATIONAL RURAL DEVELOPMENT STRATEGY FOR SUCH BASIC LEVELS OF FUNDING. AS YOU KNOW, A LITTLE "SEED" MONEY CAN MAKE AN ENORMOUS DIFFERENCE TO AN ECONOMICALLY DEPRESSED SMALL TOWN THAT IS INTERESTED IN INITIATING OR ANCHORING A LOCAL COMMUNITY DEVELOPMENT PROJECT. THE BIG CITIES HAVE UDAG AND ENTITLEMENT BLOCK GRANTS...RURAL COMMUNITIES HAVE BEEN LEFT ESSENTIALLY WITH CRUMBS FOR DEVELOPMENT FINANCING -- THE 1984 RURAL STRATEGY DOES NOT ADDRESS THIS DISPARITY.

I WOULD LIKE TO SHIFT AWAY FROM THE RURAL DEVELOPMENT ADVICE WHICH WAS OFFERED BY NATaT, BUT NOT INCLUDED BY USDA IN ITS STRATEGY, AND LOOK FURTHER AT WHAT IS INVOLVED IN THE ADMINISTRATION'S 1984 RURAL DEVELOPMENT "BLUEPRINT."

THE STRATEGY POINTS WITH PRIDE TO ADMINISTRATION INVOLVEMENT IN THE MAIN STREET, NEGOTIATED INVESTMENT, AND

ENTERPRISE ZONE INITIATIVES. ALL THREE PROGRAMS ARE EXCELLENT IDEAS, BUT ONLY THOSE GOVERNMENTS WITH ADVANCED FINANCIAL MANAGEMENT SKILLS AND ENTREPRENEURIAL CAPABILITY -- NOT TO MENTION A MAIN STREET -- WILL BE ABLE TO PARTICIPATE IN THEM.

ON ANOTHER IMPORTANT ISSUE, RURAL CREDIT, THE STRATEGY CITES SEVERAL "COORDINATING-TYPE" EFFORTS THAT ARE UNDERWAY TO RECOMMEND WAYS TO EXPAND CREDIT OPPORTUNITIES FOR OFF-FARM RURAL DEVELOPMENT AND TO INCREASE THE LEVEL OF DEPOSITS IN RURAL BANKS. BETTER COORDINATION AMONG FEDERAL AGENCIES IS IMPORTANT, BUT THE TWO MAJOR ISSUES -- INSUFFICIENT LENDING CAPITAL AND CONSERVATIVE LENDING PRACTICES -- ARE NOT ADDRESSED. THE NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS IS GRAVELY CONCERNED ABOUT THE IMPACT THAT FINANCIAL DEREGULATION WILL HAVE ON RURAL CREDIT, POTENTIALLY CAUSING FINANCIAL INSTITUTIONS TO TARGET LENDING POLICIES AWAY FROM RURAL AREAS BECAUSE OF THE POTENTIALLY GREATER YIELD. IT IS OUR BELIEF THAT THIS ISSUE, ALONG WITH OTHER FINANCE ISSUES, SHOULD HAVE BEEN ONE OF THE FOCAL POINTS OF THE USDA STRATEGY.

MR. CHAIRMAN, THE STRATEGY HIGHLIGHTS A WIDE AND DIVERSE RANGE OF TECHNICAL ASSISTANCE THAT IS SAID TO BE AVAILABLE THROUGH THE FEDERAL GOVERNMENT FOR RURAL AREAS. THE STRATEGY, HOWEVER, DOES NOT EVALUATE THE QUALITY OF SUCH TECHNICAL ASSISTANCE PROGRAMS. RECALLING THE CONCLUSION OF CHARLES BANNERMAN'S STUDY -- THAT ALL OF THE FUNDING IN THE WORLD FOR RURAL AREAS IS OF LITTLE CONSEQUENCE UNLESS STRONG PUBLIC INSTITUTIONS ARE PRESENT TO MANAGE THE MONEY -- I WOULD LIKE TO STRESS NATaT POLICY THAT CALLS FOR EVALUATION

OF THE NATURE, TYPE, AND FOCUS OF TECHNICAL ASSISTANCE IN ORDER TO ARRIVE AT MODELS THAT WORK. FOR EXAMPLE, THE STRATEGY ILLUSTRATES HELP AVAILABLE THROUGH THE U.S. DEPARTMENT OF TRANSPORTATION'S TECHNOLOGY TRANSFER CENTERS AND THE USDA EXTENSION SERVICE. BOTH PROVIDE REGIONAL AND LOCAL TECHNICAL ASSISTANCE, BUT THE QUESTION IS, "HOW MUCH EMPHASIS IS BEING PLACED ON USING THE EXPERTISE OF THESE AGENCIES TO ADDRESS THE SPECIFIC AND UNIQUE DEVELOPMENT NEEDS OF RURAL GOVERNMENT OFFICIALS IN CONTRAST TO TRANSPORTATION OR AGRICULTURE ISSUES?" TO DATE, THE RECORD IS UNCLEAR, BUT WHAT IS CLEAR IS THAT GREATER EMPHASIS SHOULD BE MADE TO PROVIDE DIRECT ASSISTANCE TO RURAL GOVERNMENTS.

ON THE POSITIVE SIDE, MR. CHAIRMAN, WE APPLAUD THE ADMINISTRATION FOR EXPRESSING SUPPORT FOR ACTIVITIES SUCH AS ITS ONGOING RURAL ROADS PROJECT, WHICH SEVERAL OF NATAT'S STATE ASSOCIATIONS ARE INVOLVED WITH, AND PROMOTING THE CONCEPT OF IDENTIFYING A RURAL AFFAIRS CONTACT PERSON IN FEDERAL DEPARTMENTS AND AGENCIES. WE ALSO APPRECIATE THE EXPRESSION OF CONCERN IN THE STRATEGY FOR THE PROBLEMS OF RURAL DATA COLLECTION. THESE, ALONG WITH SOME OF THE ACTIVITIES CITED EARLIER, ARE CERTAINLY WORTH DOING. BUT, TAKEN AS A WHOLE, THEY DO NOT REPRESENT A "STRATEGY." THESE IDEAS DID NOT COME OUT OF A NATIONALLY COORDINATED OR CONCEIVED RURAL DEVELOPMENT NEEDS ASSESSMENT. THE RESULT IS A PIECEMEAL DOCUMENT WHICH, WHILE CALLED A STRATEGY, IS NOT A STRATEGY.

CONCLUSION

THIS, MR. CHAIRMAN, IS OUR OVERRIDING CONCERN: THE USDA STRATEGY, DESPITE ITS ENUMERATION OF MANY FEDERAL PROGRAMS, FALLS SHORT IN PINPOINTING WHAT RURAL DEVELOPMENT MEANS IN OUR CURRENT ECONOMIC ENVIRONMENT AND DEFINING WHAT THE FEDERAL GOVERNMENT'S ROLE IS IN HELPING RURAL COMMUNITIES DEVELOP A STRONG AGRICULTURAL, ECONOMIC, SOCIAL, AND NATURAL RESOURCE BASE. THE DOCUMENT PUTS FORTH SEVERAL GOOD IDEAS BUT NOT IN THE CONTEXT OF A RURAL DEVELOPMENT STRATEGY.

I WOULD LIKE TO ADD THAT THE NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS BELIEVES FIRMLY IN STRONG PRIVATE SECTOR, FARM, AND GOVERNMENT COOPERATION TO PROMOTE RURAL DEVELOPMENT. IN OUR VIEW, STRONG RURAL GOVERNMENTS ARE THE ESSENTIAL INGREDIENT TO EFFECTIVELY MANAGING CHANGE. AS PRIVATE DOLLARS FOLLOW PUBLIC DOLLARS IN TERMS OF REAL INVESTMENT, THE NEED EXISTS TO BUILD STRONG RURAL GOVERNMENTS THAT CAN COPE WITH THE ECONOMIC AND SOCIAL PROBLEMS THAT CONFRONT THEM TODAY.

TOWARD THAT GOAL, THE NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS HAS CREATED THE NATIONAL CENTER FOR SMALL COMMUNITIES (NCSC) TO HELP SMALL, RURAL GOVERNMENTS HELP THEMSELVES. ONE OF THE MOST CRITICAL PROBLEMS IN RURAL AND SMALL TOWNS IS A LACK OF SOLID, PUBLIC-MANAGEMENT SUPPORT. IN RESPONSE, THE NATIONAL CENTER FOR SMALL COMMUNITIES IS ESTABLISHING A RURAL LEADERSHIP DEVELOPMENT PROGRAM. TO ADDRESS THE SHORTAGE OF APPROPRIATE TECHNOLOGIES AND HUMAN RESOURCES IN RURAL AREAS, THE CENTER IS DEVELOPING A "TECHNICAL EXPERTS NETWORK"

TO HELP SMALL-TOWN OFFICIALS. AND, A MANAGEMENT ASSISTANCE PROGRAM WILL PROMOTE EFFECTIVE COMMUNITY DEVELOPMENT STRATEGIES, FINANCIAL ADMINISTRATION, NATURAL RESOURCE MANAGEMENT AND OTHER CONCERNS.

MR. CHAIRMAN, THE NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS BELIEVES THAT MANY OF THE NEEDS OF RURAL COMMUNITIES CAN BE RESPONDED TO THROUGH SUCH SELF-HELP PROGRAMS, BUT NOT WITHOUT STRONG SUPPORT FROM STATE GOVERNMENTS AND THE FEDERAL GOVERNMENT. THE USDA RURAL STRATEGY CONTAINS A NUMBER OF GOOD IDEAS BUT DOES NOT OFFER SUFFICIENT RESOURCES OR PROVIDE THE FRAMEWORK THAT IS NECESSARY FOR COHESIVE, PERMANENT RURAL DEVELOPMENT. WITHOUT THE FEDERAL GOVERNMENT SERVING AS THE ESSENTIAL CATALYST, AMERICA'S RURAL COMMUNITIES MAY BECOME "THE ODD MEN OUT" IN THE AMERICAN SOCIAL AND ECONOMIC SYSTEM OF THE FUTURE.

THIS CONCLUDES MY COMMENTS, MR. CHAIRMAN. ON BEHALF OF NATAT'S MEMBERS, I WANT TO THANK YOU, ONCE AGAIN, FOR THIS OPPORTUNITY TO EXPRESS OUR VIEWS ON H.R. 5024 AND THE USDA'S 1984 RURAL DEVELOPMENT STRATEGY. WE HOPE THAT DISCUSSION OF RURAL DEVELOPMENT PROBLEMS WILL CONTINUE IN THE MONTHS AHEAD AND THAT CONGRESS WILL ADDRESS SOME OF THE ISSUES RAISED HERE TODAY.

(Attachment follows:)

NATaT's National Community
Reporter
April-May 1983
Published by the National Association of Towns and Townships

New NATaT Center To Focus on Solving Small Towns' Problems

"NATaT, America's champion of the concerns of smaller, rural governments, is inaugurating a major, new program – the National Center for Small Communities," announced President George Miller.

"The center will provide solutions to many long-standing problems of our membership," Miller continued, "such as leadership training programs for town officials, a nationwide information clearinghouse available to small communities, and a policy development center for research on rural issues."

"There are over 120,000 countryside officials in America," according to the association's Executive Director Barton Russell. "And we hear a similar comment from them: governing people in small and isolated jurisdictions places huge demands on local leaders. Many work part time; few are trained in planning and resource allocation; most are cut off from vital information and assistance."

"We believe that this vast network of grassroots governments represents an enormous rural development potential which, if unleashed, would have a tremendous, positive effect on the quality of life in small towns across the country. The center will go a long way toward helping township officials realize this potential," Russell said.

Training a New Cadre Of Rural Leaders

"One of the most pressing problems in rural and small town America," commented Miller, "is a lack of trained leadership. Our big-city counterparts have ongoing access to training and information assistance; rural governments have none."

The National Center for Small Communities will establish a national rural government leaders fellowship program to meet this need.

The center will conduct intensive, week-long leadership institutes on an annual basis and will publish low-cost materials to help rural officials assume more responsibility as political leaders.

Filling a Void Of Information Sources

Today's problems strain the already-taxed resourcefulness of rural officials. A single township officer is often responsible for a wide range of activities and services; a big city usually has several policy, budget and planning departments to do the same job.

Rural officials work in a world of limited data with few tools. The center will assemble a "toolbox," to provide often hard-to-find policy research and information and to better equip these leaders for their tasks.

"An official from a large city benefits from years of research by hundreds of think tanks; an official in a township of 2[illegible] often faces similar problems, but cannot apply the urban solutions because they are inappropriate in scale," Russell said. "The center will commission original research to find approaches to problems in small communities that are affordable and will work."

In its toolbox, there will be a number of information sources, readily available to local officials. Through a Rural Information Clearinghouse, the center will translate academic research into useful, practical reference materials.

A Rural Policy Library is also being created. It will include a collection of scholarly and applied publications devoted to rural issues. The center will continue and expand the NATaT issues seminars, providing much-needed, but rarely available, findings to national and state policymakers.

The private sector has shown widespread encouragement for the National Center for Small Communities. "Several large corporations indicated they will provide support for the center. They are enthusiastic about the promise of the management assistance and leadership support programs which it will offer," Russell said.

Management Assistance For Small Communities

To help rural officials deal more effectively with the immediate and short-term crises they face, the center will develop materials, provide technical services, and offer outreach to support town and township officials. This aid will encompass community development, staffing, funding and dozens of other small community concerns.

A Rural Programs Collection will house the nation's most comprehensive self-help collection of materials. The center will mount an exhaustive search, both within the U.S. and abroad, to find appropriate technology for America's rural areas. Also, it will explore techniques like using circuit-riding technical assistance specialists to provide hands-on help with pressing problems.

"Local officials are the linchpin in the drive to strengthen the American small community. The National Center for Small Communities will support and strengthen them in their work," Miller concluded.

BEST COPY AVAILABLE

HONORABLE CHARLES D. COOK OF NEW YORK, CHAIRMAN
LEGISLATIVE COMMISSION ON RURAL RESOURCES

MR. CHAIRMAN, LADIES AND GENTLEMEN OF THE COMMITTEE:

THANK YOU FOR THE PRIVILEGE OF SPEAKING WITH YOU TODAY. I AM CHARLES D. COOK, A MEMBER OF THE NEW YORK STATE SENATE FROM THE 40TH DISTRICT, A FIVE-COUNTY AREA THAT ENCOMPASSES THE CATSKILL MOUNTAIN REGION, POPULATED BY SOME 280,000 RURAL PEOPLE.

I APPEAR TODAY IN MY CAPACITY AS CHAIRMAN OF THE NEW YORK STATE LEGISLATIVE COMMISSION ON RURAL RESOURCES, WHICH IS A JOINT BI-PARTISAN BODY CONSISTING OF FIVE REPUBLICANS AND FIVE DEMOCRATS, FIVE SENATORS AND FIVE ASSEMBLYMEN.

THE NOTEBOOK I HAVE WITH ME CONTAINS NINE PRELIMINARY REPORTS OF THE COMMISSION IN THE AREAS OF AGRICULTURE; ECONOMIC DEVELOPMENT; THE ENVIRONMENT; TRANSPORTATION; HEALTH CARE; HOUSING AND COMMUNITY FACILITIES; EDUCATION; LOCAL GOVERNMENT; AND RURAL SOCIOLOGY. THEY REPRESENT THE THINKING AND VIEWS OF A WIDE CROSS-SECTION OF EXPERTS AND POLICY LEADERS IN NEW YORK STATE ON THE TRENDS, STRENGTHS, AND WEAKNESSES OF RURAL NEW YORK, TOGETHER WITH SUGGESTED GOALS FOR THE NEXT TWO DECADES THAT WILL TAKE US INTO THE 21ST CENTURY.

WHEN FINALIZED, THESE REPORTS WILL FORM THE BASIS OF AN ACTION AGENDA FOR RURAL NEW YORK, WHICH WILL BE FORMULATED AND INTRODUCED ON A BI-PARTISAN BASIS IN BOTH HOUSES OF THE LEGISLATURE.

ESTABLISHED BY STATE LEGISLATORS IN 1982, THE NEED FOR THE COMMISSION IS TWO-FOLD.

FIRST, IS THE URBAN DOMINATION OF PUBLIC POLICY IN NEW YORK, WHICH HAS TENDED TO SUBVERT THE NEEDS OF THE 3.1 MILLION PEOPLE LIVING IN RURAL COUNTIES OF THE STATE, A POPULATION LARGER THAN THE TOTAL OF 25 OTHER STATES. YET, RURAL RESIDENTS COMPOSE ONLY 20 PERCENT OF NEW YORK'S TOTAL POPULATION. CONSEQUENTLY, THE VOICE OF RURAL NEW YORK HAS BEEN OVERSHADOWED BY AN URBAN-DOMINATED LEGISLATURE AND EXECUTIVE BRANCH. THUS, POLITICAL RECOGNITION OF, and responsiveness to, rural and agricultural interests in New York has been ambivalent. However, there is increasing potential for farmer non-farmer alliances to influence decisionmaking as the rural share of the State's population increases.

Equally important are the changes taking place within the rural community itself, a resource base that is vital to the State's future economic development and quality of life.

During the past decade, while New York as a whole was losing four percent of its population, the rural counties were actually experiencing a six percent population gain. Current growth in New York State's rural population is expected to continue into the next century, with projections citing a 20 percent increase by the year 2010.

While the rural population is increasing, it is also getting older. A growing component of the demography are the people over the age of 65. In rural New York, current projections estimate this rate will have exceeded the urban elderly population growth rate by a ratio of 3 to 1 by the year 2010. This trend has serious implications for rural health care since the sparsely settled rural population generally has not been well served by the health care delivery system. The wide and growing specturm of health and human service programs that have been developed over the past 20 years have had only limited impact for rural people. This problem is further exacerbated by the current emphasis on health care cost containment which too often militates against improved access to health care services for those rural areas with significant needs.

Education also has been severly impacted by the demographic changes noted previously. At the same time that educational requirements demand increasing sophistication and more diversified course offerings, school populations are declining and the competition for public funding with other needs is becoming

MORE MANIFEST.

WHILE THE BASIC DEMOGRAPHY OF RURAL NEW YORK IS SHIFTING, ITS ECONOMIC STRUCTURE IS UNDERGOING PROFOUND CHANGES AS WELL. ALTHOUGH THE VALUE OF ITS AGRICULTURAL PRODUCT CONTINUES TO INCREASE, THE AGRARIAN DESCRIPTION FORMERLY ATTACHED TO RURAL NEW YORK NO LONGER IS ACCURATE. WE ARE FINDING AN INCREASED PURCHASE OF LAND IN RURAL AREAS FOR NON-AGRICULTURAL PURPOSES. ECONOMIC DIVERSIFICATION IS BOTH A REALITY AND A NECESSITY. AGRICULTURE CO-EXISTS WITH AN INCREASING NUMBER OF NON-AGRICULTURAL ENTERPRISES WHICH BOTH COMPLEMENT AND COMPETE WITH IT.

OVERALL, THE NUMBER OF PEOPLE ACTUALLY ENGAGED IN AGRICULTURAL PRODUCTION IN RURAL NEW YORK CONTINUES TO DECLINE. THE MODERATE-SIZE FAMILY FARM REPRESENTS A DECLINING SEGMENT OF ALL FARMING IN NEW YORK STATE. THE PROPORTION OF SMALL (UNDER 50 ACRES) FARMS INCREASED FROM 18.5 PERCENT IN 1978 TO 22.1 PERCENT IN 1982. THE PERCENTAGE OF THE STATE'S FARMLAND ACREAGE OWNED BY LARGE FARMS (GREATER THAN 500 ACRES) IS GROWING. THERE WERE 1,000 FEWER FARMS IN 1982 THAN IN 1978.

THESE RAPIDLY CHANGING CONDITIONS ARE CHALLENGING THE CAPACITY OF PART-TIME LOCAL GOVERNMENT OFFICIALS TO COORDINATE EFFECTIVE SOLUTIONS. THE CHANGES CURRENTLY SWEEPING RURAL AMERICA PRESENT THE NEED FOR NEW COMMUNITY STRUCTURES. HOUSING, HEALTH CARE, TRANSPORTATION, AND SOCIAL INSTITUTIONS ARE FEELING THE INFLUENCES OF THESE CHANGES.

THE POINT OF MY REMARKS IS THAT A CONCENTRATION ON AGRICULTURE, OR EVEN AGRI-BUSINESS, NO LONGER SPEAKS TO THE WORLD THAT REALLY EXISTS IN RURAL AMERICA. FOR THIS REASON, THE COMMISSION ON RURAL RESOURCES HAS BEEN DELIBERATE IN ITS EFFORTS TO DESIGN AN INTERDISCIPLINARY PROBLEM-SOLVING APPROACH FOR RURAL NEW YORK. THE INTERRELATIONSHIPS BETWEEN PUBLIC POLICY ISSUES AND REQUIRED SOLUTIONS CANNOT BE ADDRESSED BY AN OVER COMPARTMENTALIZED APPROACH.

PERHAPS ONE OF THE MOST IMPORTANT INTER-RELATIONSHIPS AMONG PUBLIC POLICY ISSUES AFFECTING RURAL PEOPLE CONCERNS HIGH TECHNOLOGY AND THE CHANGING NATURE OF COMMUNITY LIFE IN RURAL NEW YORK. FOR EXAMPLE, ALONG WITH MORE RETIREES AND FORMER URBAN RESIDENTS MIGRATING TO RURAL LOCALITIES, "TELECOMMUTERS," WHO WORK AT HOME IN REMOTE AREAS AND ARE LINKED TO HOME OFFICES OR MARKETS THROUGH MODERN COMMUNICATIONS, ARE NOW A GROWING PART OF THE STATE'S WORK FORCE. SOME FORECASTERS PREDICT THAT BY THE YEAR 2000, TELECOMMUTERS WILL COMPRISE APPROXIMATELY 20 PERCENT OF THE WORKING POPULATION IN RURAL NEW YORK.

YET, AGRICULTURE IS, AND WILL CONTINUE TO BE, THE UNDERGIRDING OF THE ECONOMY AND THE SOCIOLOGY OF RURAL AMERICA. WE CANNOT ANY LONGER ASSUME, HOWEVER, THAT BY ADDRESSING THE NEEDS OF AGRICULTURE WE WILL AUTOMATICALLY BE ADDRESSING THE CONCERNS OF A MAJORITY OF OUR RURAL POPULATION.

EVEN WITHIN AGRICULTURE, THERE ARE TRENDS WHICH REQUIRE A BROADER PERSPECTIVE. WE SEE THE FAMILY FARM, AS TRADITIONALLY ENVISIONED, AS A DECREASING PROPORTION OF OUR TOTAL FARM COMPONENT. INCREASINGLY, AGRICULTURAL PRODUCTION IS COMING FROM EITHER THE LARGER OR THE SMALLER FARM. EVEN WHEN THESE LARGE HOLDINGS ARE ESSENTIALLY WITHIN SINGLE-FAMILY OWNERSHIP, THEY ENGENDER DIFFERENT KINDS OF SITUATIONS INVOLVING LABOR-MANAGEMENT, MARKETING, FINANCING, AND A MYRIAD OF OTHER SITUATIONS THAT DO NOT TYPICALLY OCCUR IN THE FAMILY-OPERATED FARM.

MORE TO THE POINT IS THE FACT THAT A MAJORITY OF THE FARMING OPERATIONS IN THE UNITED STATES TODAY ARE PART-TIME. THE OWNERS OF THOSE FARMS LIVE IN RURAL AREAS, PARTICIPATE IN AGRICULTURE, BUT HAVE A VERY COMPELLING ECONOMIC, AND OFTEN PROFESSIONAL, INTEREST IN OTHER KINDS OF ACTIVITIES THAT ARE TAKING PLACE AND IN WHICH THEY PARTICIPATE.

FOR THESE AND OTHER REASONS, I AM DELIGHTED TO SEE THAT THE SECRETARY OF AGRICULTURE HAS PROPOSED A NATIONAL RURAL DEVELOPMENT STRATEGY WHICH IS COMPREHENSIVE AND INTERDISCIPLINARY.

Contrary to any impression that such a strategy may de-emphasize agriculture, I feel it really strengthens our national recognition that agriculture is an integrated part of the rural society, which in turn is an integrated part of our national society. This strategy will be much more responsive to my constituency than looking at farms as an isolated part of the national or state geography.

Farm people, and rural people in general, have a deep concern for quality of life issues that affect themselves and their families. The movement of people into and out of employment in the agri-business sector clearly demonstrates that agriculture cannot continue to be seen as a world apart from the rest of our national concerns.

I therefore respectfully, but urgently, endorse the rural strategy statement presented by the Secretary of Agriculture and encourage you to channel funding of rural programming in accordance with that philosophy.

The proposed Rural Development Reorganization Act of 1984 (H.R. 5024) introduced by the Honorable Wes Watkins on March 5, 1984, represents yet another step by our Federal government to address the current status and future needs of rural America. The experience of rural legislators in New York State, including myself, strongly suggests current federal and state policies and programs have not served rural constituents well. Certainly, existing policies will be less responsive in light of current trends and future requirements. Most existing federal and state programs are not attuned to circumstances we have found in rural New York. The urban bias I spoke of previously is exacerbated by program regulations that attempt to apply solutions to metropolitan problems and government operations to much smaller rural communities. In addition, we have found that rural localities are less able to afford the technical or administrative personnel required in order to successfully compete in the marketplace for federal and state grants. Even

Now, as we speak together here today, this is the first time we have done so in four years since the passage of the Rural Development Policy Act of 1980.

The current proposal, hopefully, will instigate a more comprehensive, appropriate thrust to policy and program development for rural America. I see this as being potentially beneficial for the more than three million residents of rural New York and wholeheartedly applaud your efforts.

STATEMENT OF ROBERT A. RAPOZA, LEGISLATIVE DIRECTOR,

NATIONAL RURAL HOUSING COALITION

Mr. Chairman, my name is Robert A. Rapoza and I am the legislative director of the National Rural Housing Coalition and the Rural Coalition. Both organizations are concerned with rural development issues. We have appeared before this Committee before and appreciate the opportunity to testify today.

Rural Development Policy

The National Rural Housing Coalition and the Rural Coalition were both at the forefront of the effort to formulate the Rural Development Policy Act of 1980. As you know, a key requirement of the Act is that the Secretary of Agriculture file an annual development strategy request. We thought that forcing the U. S. Department of Agriculture to go through a process of determining rural development needs and issues and coming up with a strategy for dealing with them would be a good way to raise rural development as an important issue.

We have been very disappointed by the two strategies published to date. Last year's report did provide a useful analysis of the changes going on in rural areas. However, by and large the report was used as a vehicle to justify the Administration's plans for block grants and budget cuts for many federal programs serving rural America.

This year's report is worse. Now our rural development strategy denies that many problems exist at all, particularly those confronting small communities. For example, the strategy paper states while "rural housing standards are somewhat lower than urban standards, the differences were much less pronounced if 'totally rural' areas were excluded." A totally rural area is one in which no community has a population greater than 2,499.

If I understand this statement correctly, the rural development strategy of the government wants to exclude the most rural areas to improve the national portrait of substandard housing. The fact is that between 1970 and 1980 there was substantial progress in eliminating substandard rural housing. However, it is also true that over 1.9 rural households still live in bad housing; 1.3 million are in totally rural communities, that is, almost 10 million people live in bad housing. Equally important, during this period, the number of low income households living in inadequate housing is the same now as it was in 1970.

The strategy report would also have one believe that there is not a pressing need for clean drinking water and adequate waste disposal systems. Again, the report wishes away small rural communities by noting that virtually all communities with populations of above 5,500 have public water service and incorporated communities above 2,500 have waste water treatment service.

Again, this rosy picture does not square with reality. Over 1 million rural households live in houses without adequate plumbing. This means they drink bad water or have unsanitary or unsafe waste disposal facilities.

The National Statistical Assessment of Rural Water Quality which looked at communities with populations of less than 2,500 and open country area indicates a serious problem of ground water contamination in rural areas. The NAS study found that ground water is the source of supply for nearly 75% of rural households. The study found that almost two-thirds of rural households drink water which exceed one or more reference value for contamination.

In short, it is not enough to count the number of water or waste water treatment facilities. In order to determine whether rural people have adequate water/waste water systems, it is necessary to look at the quality of water that people drink. It is clear from the NAS study that there is a serious ground water contamination problem in rural areas. Again, the strategy paper would have us believe otherwise.

Mr. Chairman, we all know that rural poverty is still with us. Today over 27 million people live in poverty. Rural areas with 26% of the nation's population have about 40% of the nation's poor.

It is important to note that the poor in rural areas tend to be working poor. For 28% of the rural families living in poverty, the head of the household works full time. For 31% of the poverty families in rural areas, two family members have full time jobs.

Yet, you can look and look through the strategy but not find one mention of rural poverty. The rural development strategy of this government does not acknowledge the presence of poverty and, at least by implication, does not see the elimination of poverty as a legitimate rural development goal.

Mr. Chairman, the rural development strategy is an accumulation of rhetoric and other things we don't need. Rural areas do not need any more newsletters, pamphlets or brochures. Rural areas need a strategy which acknowledges the problems of very small and poor communities rather than trying to wish them away as this policy statement does. Rural areas need the commitment of this Administration to bring federal resources to bear on behalf of rural people, particularly disadvantaged rural people.

Thus far this commitment is sorely lacking. In the last three years the Administration has done its best to get out of the rural development business. It has proposed massive reductions in rural housing programs and followed those proposals with a block grant scheme. With the cuts and new federalism agenda rejected, the Administration has now proposed another way to get out of housing: transferring housing funds to farm programs.

Mr. Chairman we fully support programs providing credit to farmers. However, no one is helped by pitting farmers needing credit against people needing housing. It is clear that this proposal is little more than another way to accomplish the Administration's goal: elimination of rural housing programs.

The federal rural water sewer program has fared no better. First, the Administration proposed to raise interest rates for water sewer loans, because it would target funds better to low income communities. Then, following the passage of the Omnibus Reconciliation Act of 1981, the Administration did its best to define low income communities out of existence. Following that, the Administration resisted report language in the 1981 farm bill which directed FmHA to establish a project selection system so that needy communities could get first crack at federal funds.

Finally, the Administration has opposed this Committee's efforts through HR 115[illegible] to target loan and grant funds to needy rural communities and implement other cost-saving measures. In the meantime, funds for rural water sewer programs have been cut in half.

Looking at rural housing and water sewer programs does not provide a complete picture of the Administration's position on rural development. It does, however, give one some insight into the flaws in the policy perspective which results in the recently released rural strategy.

Mr. Chairman we have now had two rural strategy statements. Having read and commented on both, the question I have is simple: "What low income rural person or farmer has benefitted from the policy statement and is our money well spent on this annual exercise?"

HR 5024

Mr. Chairman, with my comments on the rural development policy statement as a backdrop, I would like to comment on HR 5024, "The Rural Development Reorganization Act".

We appreciate the efforts of Congressman Watkins on this legislation. As is clear, rural development issues are too often ignored, and to the degree that Mr. Watkins' bill raises the issue, we are supportive.

However, we have two sets of concerns regarding the legislation. First, on a practical level, we do not think it wise, and cannot support, any plan that would divide rural housing programs. The Watkins bill would place the single family Section 502 program in the proposed Farm Administration (FA), with the remainder of the rural housing program going to the Rural Development Administration (RDA).

There are a number of problems with this approach. For example, self-help housing technical assistance grantees would be forced to go to a completely different federal agency for Section 502 loans for self-help housing construction. This would lead to delays and confusion in the self-help program. Given the local/regional administrative split between RDA and FA it may be necessary to provide local RDA staff to process Section 502, and for that matter Section 504 home repair loans.

Beyond this, from a political standpoint, the Section 502 program is by far the single largest rural housing program. Over two-thirds of the funds appropriated to FmHA for housing go for Section 502 loans. Separating that program from the rural housing programs such as Section 515 rural rental housing loans may make it difficult to sustain appropriations. In other words, there is a critical mass necessary to continue funding for rural housing programs and the presence of Section 502 is a key factor.

Second, there is the larger question surrounding any plan for reorganization of FmHA. Essentially, FmHA is a small farm and rural development program housed within a Department committed to the perpetuation and enhancement of big agriculture.

As a result the operating style of the Department does not lend itself to consideration of the problems of small farmers and rural development. The Department is too big, too complex, too concerned with international markets and beet prices to devote much energy to rural development concerns. I think the last rural development statement clearly indicates that.

For many years, many of us have called for a cabinet level Department of Rural Development. In these times, that may not be possible. But, it may be worth exploring the concept of an independent Small Farm and Rural Development Administration. Essentially, FmHA outside of U.S.D.A. Such an agency would have at least the compliment of current FmHA programs without the suffocating presence of a larger, intractable bureaucracy which views the problems of farmers or low income people as only marginal to it's mission.

Mr. Chairman, we again thank you for the opportunity to appear before you and I would be happy to answer any questions you might have.

RAR/syg
5/16/84

TESTIMONY

OF

HAROLD O. WILSON

EXECUTIVE DIRECTOR
HOUSING ASSISTANCE COUNCIL

Mr. Chairman, I am Harold O. Wilson, Executive Director of the Housing Assistance Council (HAC), a national nonprofit housing organization striving to alleviate the housing problems of low income people in rural America. For over twelve years our organization has been dedicated to increasing the availability of affordable housing for the rural poor.

We appreciate the opportunity to appear before this Subcommittee to comment in a positive manner on the Rural Development Reorganization Act of 1984 and the National Rural Development Strategy Report. The strong dedication and commitment of the sponsors of this important legislation, intent on strengthening services delivery to rural communities, is certainly welcomed. The concept of reorganization is a good idea, one long supported by many rural development groups. Our comments will focus on enhancing this effort and increasing the support and assistance available to rural families.

As you know, Mr. Chairman, the Farmers Home Administration and the Rural Electrification Administration have been responsible for tremendous improvements in the quality of rural life during this century. These agencies have been the lightning rod around which housing, community and economic development have coalesced. Our nation's past commitment has been well documented, and delivery mechanisms established and refined over the last fifty years have worked well.

I cannot appear here and report that all the problems have been solved. As you know, they have not. Rural areas contain 26% of the U.S. population. Yet one third of the nation's substandard housing units and two fifths of the poverty are located in rural areas. The 1980 Census indicates that one rural household in twelve resides in a substandard unit, and one in nine survives below the poverty rate, a figure that has since worsened. The problems may be less visible in rural areas, but they exist.

While HAC endorses efforts to improve the effectiveness of rural programs, we wish to emphasize the importance of careful study and evaluation prior to any major reorganization of the FmHA. The changes proposed in this legislation would seek to create the more efficient delivery of rural housing and other services. The following issues merit close analysis:

- Staffing
- Housing expertise/linkage of programs
- Linkage of farm, housing and development programs
- Supervisory Field Structure

Staffing

HAC believes that a prime obstacle hindering FmHA has been inadequate staffing. The Agency needs more individuals, especially at the local level, to administer programs and help the people of rural America. Absent staff increases, the dual structure may further strain already limited personnel levels. Congress has provided increased staff funding to FmHA, but we understand these efforts have been restricted by OMB hiring constraints. Careful planning must insure that creation of another agency does not duplicate administrative support staff.

In combining FmHA and the Office of Rural Development Policy, one with field staff and the other a Washington, D.C. based office, certain administrative support services existing only in FmHA may have to be duplicated, such as personnel, supplies, information, equal opportunity, and financial support. FmHA's St. Louis financial support center, for example, consists of several hundred employees. Neither agency could function without such support, yet only one such system currently exists. The sponsors of this legislation stated "this reorganization can be accomplished without adding a single new employee." All efforts must be expended to uphold this pledge.

Housing Expertise/Linkage of Programs

The proposal would divide FmHA housing programs between two different agencies, requiring each to develop its own housing expertise. Of equal concern is the linkage of housing programs to be located in different agencies and administered by different staffs. The Section 502 single family homeownership program, for example, would be in the Farm Administration, while the Self Help program would be relocated in the new Rural Development Administration. However, these programs are inextricably linked. Self help applicants would have to deal with separate agencies, located possibly in different communities, and probably have to comply with two sets of rules and regulations. This might severely burden the self help applicant, negatively impacting the programs' continued success. Such areas should be carefully studied, and perhaps modified, before any plans are finalized.

Linkage of Farm, Housing and Development Programs

Recognizing historical ties between agriculture, economic development, and other factors in the health of rural communities, Congress combined many programs under one agency, FmHA. The farmer, rural non-farm businessman, local government, non-profit organization and rural family, all seek assistance at FmHA. The Agency administers a wide range of programs addressing all sectors of rural society, strengthening FmHA as a full service agency and benefiting rural Americans. Any program division between agencies must be carefully analyzed, ensuring continued benefit to the people of rural America.

Supervisory Field Structure

At present existing FmHA District Offices provide supervisory support for the county offices. If these offices are split into two different agencies, a mechanism must be employed to provide this essential service.

Summary

In summary, HAC endorses the intent of the sponsors of this legislation to enhance rural program delivery. We believe this concept can be achieved only after detailed and careful analysis to guarantee that FmHA beneficiaries continue to receive a high level of program service. In the meantime, the sponsors must focus on increasing the staff of FmHA to an adequate level and on assuring aggressive administration of existing programs.

Rural Communities and the American Farm

A Partnership in Progress

I will now comment on the Administration's recent rural policy statement. Like its predecessor "A Better Country", it notes past progress and accomplishments in rural areas. Fifty years ago, this nation embarked upon an historic effort of growth and development in rural America. This was guided and financed by the federal government, recognizing its responsibility to all people and the lack of local resources. Upon careful analysis of this report, we believe greater emphasis must be placed upon meeting the rural problems that continue to exist. Mr. Chairman, I submit to you that this commitment is still needed today.

Our nation has a long and proud history of commitment to the people of rural America. The federal government role in this century dates back to the Country Life Commission of the early 1900's, and the Resettlement Administration and Farm Security Administration of the 1930's. The late 1960's brought forth other efforts such as the President's Advisory Commission on Rural Poverty. In 1972, of course, the Rural Development Act was adopted. This was followed by the establishment of the Regional Commissions, the initiatives of the Carter Administration, and enactment of the Rural Development Policy Act of 1979.

From 1970 to 1980, FmHA made single family housing loans to over 1.2 million rural families, a dramatic increase over the prior decade's 250,000 loans. Full implementation of the interest subsidy program for the first time made homes available to low income families unable to afford high interest rates.

FmHA embarked upon an equally important role stimulating construction of multifamily units. During the 1970's, the Agency made over 11,000 Section 515 loans, producing close to 250,000 rental housing units. Low income families were helped by the rural rental assistance program, which reduced the rental payments of qualified tenants. FmHA also provided assistance through its smaller housing programs including self-help, farm labor, and weatherization.

The water and waste disposal, community facility, and other programs greatly impacted rural communities. Improved quality of life, a higher standard of living, more jobs, and better health conditions resulted.

Mr. Chairman, these accomplishments were only attained through the commitment and role of the federal government.

I wish to relate a particularly moving experience I had last year. While traveling through a rural community, I encountered a group of people, individuals as well as families with small children. These people, as I quickly came to realize, had no place to live. They sought shelter wherever they could, under trees, in abandoned vehicles, and in open fields. It is important to understand that these were working people, struggling for meager wages in the fields. Neither volunteerisn nor local governments were aiding them. The fact is, they were "out of sight and out of mind". The plight of the urban homeless and poor is apparent to everyone. Yet, it is all too easy in this country to ignore the rural poor, or to suggest their problems might be solved with only a few more volunteers.

This report paints a rosy picture of economic recovery and unemployment decline in rural areas, absent supporting data. It focuses on the links between agriculture and rural communities, glossing over the depths of the continuing economic depression in the farm sector.

Data are available on this matter. According to a May 6th Washington Post article by Ward Sinclair, the Administration itself concedes that up to 100,000 of our nation's farmers, approximately 4%, may go bankrupt by the end of this year. The Economic Research Service of USDA estimates between April 1982 and April 1983, farm real estate values have declined in 34 states. In some states, this decline has averaged as much as 13%.

These economic difficulties translate far beyond the individual farm families initially affected. They compound the recession afflicting rural America because of declining purchasing power affecting every type of rural enterprise.

The report states that up to 100,000 farms "may be candidates for extinction." It calls on most farmers to start up their own businesses and forget about full-time working agriculture. The clear implication is that we should abandon our nation's proud heritage of the small and moderate sized family farm and capitulate completely to the growth of impersonal corporate agriculture.

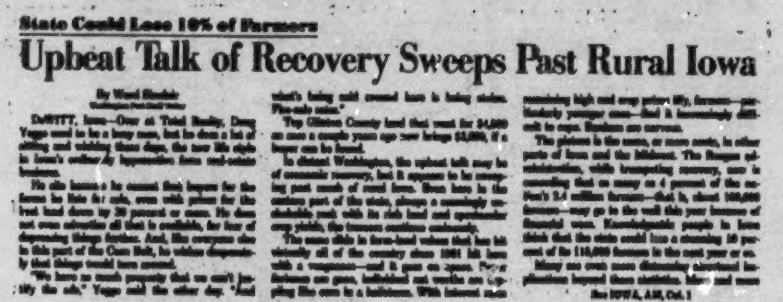
Conclusion

Mr. Chairman, I strongly oppose these suggestions. Our nation can and must assist in revitalizing rural communities. The federal government alone possesses both the capacity and responsibility to help all the people. I believe there are a number of major areas crucial to the well being of rural areas that have been omitted from this report. These include:

- rural substandard housing
- transportation
- unemployment
- water contamination
- poverty
- rural credit
- health
- education

We are extremely disturbed by the tenor of this report, and by what it portends for rural America. I therefore call upon the Members of this Committee, along with your counterparts in the Senate, to establish a bipartisan monitoring mechanism, possibly under the auspices of the Congressional Rural Caucus, to carefully analyze the state of rural America. In this regard, I wish to offer the assistance of our organization to the fullest extent possible. Thank you.

(Attachments follow:)



State Could Lose 10% of Farmers

Upbeat Talk of Recovery Sweeps Past Rural Iowa

Upbeat Washington Talk of Recov

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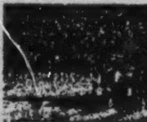

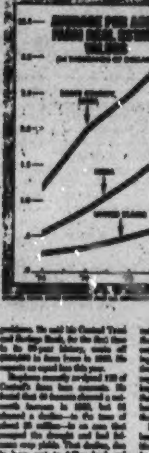

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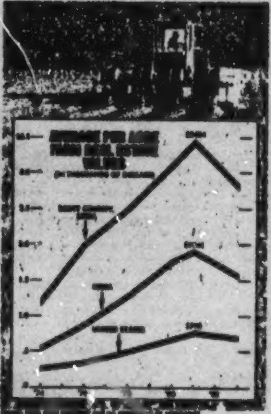

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Lower Prices May Be Costly t

New York Times 5-13-84

On the Farm, a Bump

By SETH S. KING

DES MOINES, Iowa — Farmers in the rich wheat, corn, and soybean regions of the Middle West were looking last week for two things: prolonged sunshine to dry out their sodden fields, and some believable sign that the farm recession might diminish.

There was some hope on the first count. Temperatures in Oklahoma and Kansas were rising and the rains had stopped. Frustrated farmers in Iowa and eastern Nebraska were getting into their fields to plow, almost three weeks later than usual, relieving some worry that early frosts in September could destroy their corn and soybeans before they are ripe.

But there was little on the economic horizon to give them much hope of joining the rest of the country in the recovery.

Throughout the Middle West and the Southeast this spring, the only thing tougher for farmers to figure out than the weather, which has ranged from abnormal to bizarre, has been who to blame for their troubles. It was equally difficult for the politicians to ascertain whether the Democrats or the Republicans, if either, would gain anything from a rural malaise that is unusually deep this year.

Some operators of big farms in the lush grain areas of northern Oklahoma and Kansas were not sure whether they should point the finger at the current Administration's farm aid policies and interest-raising deficits, or the previous Administration's embargo on Soviet grain sales.

"I hear a lot of people around here say there's no way they'll vote for Ronald Reagan again," said Gail Shore, who has 1,280 acres planted in winter wheat near Wellington in southern Kansas.

"But what's the alternative?" he asked. "Do we want to go back to the same people that brought us the embargo that let other countries take away our export markets?"

Certainly the prospects for those markets in the near future, as forecast by the Agriculture Department, gave no [illegible] for joy. The depart-

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5-13-84

arm, a Bumper Crop of Discontent

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ment said world grain production for 1984-85 was headed for record levels. If right, this would mean another year in which millions would go hungry in poor countries while grain surpluses swelled in the richer ones.

In its first forecast of 1984 winter wheat production, the department said the crop would be only one percent smaller than last year's bumper yield. This confirmed wheat growers' fears that prices would fall, marking the third consecutive year of diminishing profits.

The week brought no good news for cattle raisers, either. A Government report on beef supplies showed there were more animals on hand than expected and cattle prices, still lower than last year's, would not rise th quarter as much as farmers had hoped.

Hundreds of smaller farmers in Nebraska and Iowa, especially those who borrowed to the limit at high interest rates, were still waiting for the Agriculture Depart ment to make available the emergency loan money a election-conscious Congress provided last month. Wi time on their hands, there was politics to discuss.

In Iowa, where Senator Roger Jepsen, the Republ can incumbent, is struggling to survive a challenge Representative Tom Harkin, a Democrat, many farm ers and businessmen believed the Administration's ac tions on farm credit and aid would hurt Mr. Jepsen.

"It's true that Jepsen has spent plenty of time a words in our behalf," said David [illegible], a William burg farmer and member of the National Farmers O ganization, an activist farm group that disagrees wi Administration on almost every issue. "But Harkin h been a much better spokesman for us and there are sure lot of angry farmers in this state," he said.

What Recovery?

Then he quickly added: "But I'm not saying this wi affect the President. What astonishes me is the numb of farmers who still think Reagan is great."

Whatever their political disagreements may be, Middle Western farmers and the small-town bankers who fi nance them agree on one matter: The recovery Preside Reagan is so proud of has not yet reached them.

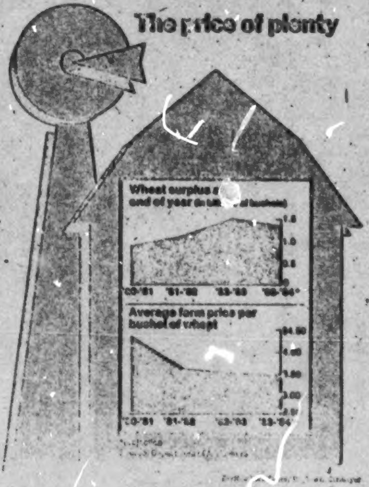
Hog raisers are enjoying better prices this spring a the corn and soybean farmers who escaped most of la summer's drought and have something in their bins to sell are making some profit. But after three previo years of declining gross income and heavy borrowing, many farmers are still too far in debt for comfort.

Adding to the tension and uncertainty was the strange dichotomy confronting grain and livestock producers. While wheat growers face another surplus and lower prices, supplies of corn and soybeans, the prin cipal feed grains, were cut in half by last summer's drought and the payment in kind program, leaving re serves dangerously thin. Should drought or frosts sla the 1984 crops, corn and soybean prices would soar. So grain farmers would profit, but hog and cattle raise would see their costs skyrocket and their earnings disap pear.

With falling farmland prices shrinking the equi value in their land, their primary source of collater many farmers have run out of credit and turned to th Agriculture Department's Farmers Home Administra tion, which has become a very slow lender of last resort.

Last week, even the most [illegible] were predicting that in many parts of the Middle West, as m 5 percent of the farmers would have to liquidate befo winter.

The price of plenty



STATEMENT OF

THE NATIONAL ASSOCIATION OF REGIONAL COUNCILS

The National Association of Regional Councils represents approximately 350 of the 534 existing substate regional councils currently in operation in the United States. Regional councils are public organizations encompassing a regional community--founded, sustained and tied directly to local governments through local and/or State government actions. Through communication, planning, policy-making, coordination and technical assistance, councils serve the local governments and citizens in a region by dealing with issues and needs which cross city, county and, in some instances, state boundaries.

The policy-making boards of regional councils are composed mostly of elected officials representing local governments within the region. In some states, representatives of the state legislature and citizens sit on their local regional council boards. Regional councils provide assistance to their local government in areas ranging from economic development to transportation to human services.

Roughly 80 percent of all substate regional councils serve populations of 500,000 or less and 70 percent represent areas of 250,000 or less. The geographical areas covered by such councils often span several counties and can involve hundreds of local government jurisdictions.

NARC represents both rural and urban regional councils. Because many of our members are in rural areas of the nation, we appreciate the opportunity to comment on HR5024, the Rural Development Reorganization Act, and on the Administration's 1984 Rural Development Strategy.

HR5024

In general, NARC supports HR5024 because it puts needed emphasis on rural development at the federal level. The realignment of program areas under the bill would, in our opinion, cause USDA to recognize that off-farm development activities are often as vital to the life of a rural community as farming.

However, we do have one major reservation about HR5024--we are concerned about provisions which could result in the expansion of Resource Conservation and Development Council activities into economic and community development.

NARC has long recognized the important role played by RC&D's in providing information and educating rural citizens about natural resource issues. In fact, in the mid-west, the federally-backed RC&D's were often a springboard for local government to forge their own substate regional councils of governments.

Over the last several years, however, we have seen some RC&D's reaching out to take on more economic and community development issues--and struggling to gain the expertise required to move out of the natural resource arena. In our view, such expansion constitutes an unneccessary and expensive effort to replicate the expertise housed within existing substate regional councils that have been established by cooperative agreement of their local governments. In these time of tight resources, we simply cannot afford such duplication.

Why not strengthen existing expertise and encourage cooperation at the local level?

HR5024 should be modified to recognize the key roles that both RC&D's and regional councils play in the community. Federal policy should encourage these entities to compliment each other's efforts, doing what each does best.

Indeed, NARC understands that such cooperation is the true intent of HR5024. But we believe that the language of the bill needs to be modified so that it is clear that RC&D's are to deal with natural resource issues and not expand into or duplicate economic and community development activities.

The Rural Strategy

The National Rural Strategy for 1984 contains two initiatives that have long been endorsed by NARC. We are pleased to see that the Administration has committed to implementing the coordination provisions of the Rural Development Policy Act of 1980. In this year's strategy, USDA has moved to ensure that "all federal agencies whose policies and programs affect rural areas will be asked to submit reports to USDA on their activities relating to rural America." This is a significant step in our view.

Secondly, the Administration has included a proposal for a designated "rural ombudsman" in each federal agency. These rural affairs positions "will formalize federal concern so that the rural perspective can be presented in policy and funding decisions," according to the strategy. This is also a significant step if it is vigorously implemented.

On the other hand, we were disappointed to see that the strategy relies more heavily on utilization of federal resources and federal information dissemination than on shoring up the abilities of local governments to address their own needs. This is well intentioned, but appears somehow to be inconsistent with the goals of this Administration and its New Federalism.

We would have preferred to see the Administration make a small, $5 million, funding commitment to the Section 111, area development assistance program. NARC and other members of the Rural Governments Coalition (National Association of Counties, National Association of Towns and Townships, National Association of Development Organizations) have repeatedly encouraged the Administration to use this program to enhance the capacity of local governments to work within their rural communities. We have urged the Administration to draw upon and utilize the community and economic development expertise of substate regional councils of governments. We have encouraged federal support of this as an approach that would result in the tailoring of assistance to meet the specific needs of each rural community.

But the Administration has elected instead to key on utilization of existing federal resources, to use a "top down" approach of the federal government as a catalyst for information exchange. Frankly, this is a perplexing approach to those of us who thought that the philosophy of this Administration was to recognize that problems at the state and local level are best addressed through solutions developed at the local level--the "bottom-up" approach.

We would urge the Administration to recommit to local capacity building in its 1985 strategy. We would urge the Administration to make a small financial commitment to Section 111 and help rural local governments to address their problems at the local level.

Thank you.

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RURAL DEVELOPMENT STRATEGIES
1983 AND 1984

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Government Division
May 15, 1984

RURAL DEVELOPMENT STRATEGIES
1983 AND 1984

INTRODUCTION

In December 1979, the Carter Administration released a Small Community and Rural Development Policy. The policy included recommendations intended to develop an institutional capacity for involving Federal departments and agencies, State and local governments, and the private sector in coordinated approaches to rural development. Specifically, the policy recommended that:

> Congress create the position of Under Secretary for Small Community and Rural Development within the Department of Agriculture;
>
> the Interdepartmental Working Group on Small Community and Rural Development play an aggressive role in implementing the policy;
>
> the Secretary of Agriculture report annually on steps taken to implement the policy and establish an Advisory Council to advise him on needed Federal actions;
>
> governors establish State Rural Development Councils; and
>
> selected cabinet officers designate a senior official to serve as a departmental rural advocate.

Many of these institutional changes were carried out in the last year of the Carter Administration. Congressional supporters of the development of a rural policy and of the creation of institutions to implement such policy determined that these activities should not be vulnerable to extinction by future administrations whose priorities might be different. Consequently, in the Rural Development Policy Act of 1980 (P.L. 96-355; 94 Stat. 1171), the Congress sought to give permanence to a rural development policy process and to an institutional structure through which the policy could be developed and implemented.

The Rural Development Policy Act calls for the development by the Secretary of Agriculture of an annual Rural Development Strategy. The Act also creates the position of Under Secretary of Agriculture for Small Community and Rural Development, and directs the Secretary to utilize working groups and temporary advisory committees, although it does not mandate any specific institutional design for dealing with rural development.

The first rural development strategy to be issued in compliance with the requirements of the Rural Development Policy Act was published in 1983. This report presents the major findings and recommendations of the 1983 and 1984 strategies.

RURAL DEVELOPMENT POLICY ACT REQUIREMENTS

The Rural Development Policy Act directed the Secretary of Agriculture to prepare a comprehensive rural development strategy, which is to be updated annually and transmitted to the Congress. The strategy should be designed to:

> maximize the effectiveness, increase the responsiveness, and improve the delivery of Federal programs to rural areas;
>
> increase the coordination of Federal programs with the development needs, objectives, and resources of local communities, substate areas, States, and multistate regions; and
>
> achieve the most effective combinations of Federal, State, and local resources to meet the needs of rural areas for orderly growth and development.

The Secretary is to take into account certain rural area needs in developing the strategy:

improve the economic well-being of all rural residents and alleviate the problems of low income, elderly, minority, and otherwise disadvantaged rural residents;

improve the business and employment opportunities, occupational training and employment services, health care services, educational opportunities, energy utilization and availability, housing, transportation, community services, community facilities, water supplies, sewage and solid waste management systems, credit availability, and accessibility to and delivery of private and public financial resources in the maintenance and creation of jobs in rural areas;

improve State and local government management capabilities, institutions, and programs related to rural development and expand educational and training opportunities for state and local officials, particularly in small rural communities;

strengthen the family farm system; and

maintain and protect the environment and natural resources of rural areas.

The strategy report is to include an analysis of the impact of the budget on rural development, a review of the implementation of previous strategies, and recommendations for necessary legislation. Implementation of the strategy is to be achieved by the Secretary of Agriculture through a systematic effort to:

(1) improve communication and encourage cooperation among Federal departments and agencies in the administration of rural development programs;

(2) eliminate conflicts, duplication, and gaps in program coverage, and resolve contradictions and inconsistencies in the objectives, administration, and effects of rural development programs;

(3) facilitate the sharing or common location of field offices of Federal agenices administering similar or complementary programs and unification of delivery systems, where feasible, to maximize convenience and accessibility of such agencies and programs to rural residents;

(4) facilitate and expedite joint funding of rural projects through Federal programs;

(5) correct administrative problems in Federal programs that delay or hinder the effective delivery of services, assistance, or benefits to rural areas; and

(6) simplify, standardize, and reduce the complexity of applications, reports, and other forms required under Federal rural development programs.

The first strategy report submitted in fulfillment of this requirement was the 1983 report Better Country: A Strategy for Rural Development in the 1980's. 1/ The second report, Rural Communities and the American Farm: a Partnership for Progress, 2/ was published in 1984.

The strategy reports were prepared by the Office of Rural Development Policy (ORDP) under the direction of the Under Secretary for Small Community and Rural Development.

DEVELOPMENT OF THE 1983 AND 1984 RURAL STRATEGIES

The Rural Policy Act directed the Secretary of Agriculture to:

> develop a process through which multistate, State, and substate and local rural development needs, goals, objectives, plans, and recommendations can be received and assessed on a continuing basis. Such process may include the use of those rural development experts, advisors, and consultants that the Secretary deems appropriate, as well as the establishment of temporary advisory committee under the terms of the Federal Advisory Committee Act.

In addition, the Secretary is authorized to hold hearings for the purpose of receiving suggestions and recommendations for the strategy.

The process described in the 1983 report included the appointment of a 25-member National Advisory Council on Rural Development to provide "grass roots" input. A Rural Development Working Group of the Cabinet Council on

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1/ U.S. Department of Agriculture. Office of Rural Development Policy. Better Country: A Strategy for Rural Development in the 1980's. Washington, U.S. Govt. Print. Off., 1983. 31 p.

2/ U.S. Department of Agriculture. Office of Rural Development Policy. Rural Communities and the American Farm: a Partnership for Progress. Washington, U.S. Govt. Print. Off., 1984. 49 p.

Food and Agriculture was established to review the strategy, and efforts were made to obtain the views of Governors, State departments of agriculture and of community development, State legislators, the U.S. Department of Agriculture (USDA), State Food and Agriculture Councils, public interest groups representing substate districts and local units of government, national Indian groups, and interest groups such as religious organizations, service clubs, and unions. 3/ The authors note that this process has yielded "more empirical and personal evidence of rural conditions than scientific, statistically 'provable data.'" 4/

A BETTER COUNTRY: PHILOSOPHY AND FINDINGS

When the results of this process were sorted out and analyzed, four major concerns emerged as the most urgent issues to be addressed in the 1983 strategy:

1. Improve rural facilities and services.
2. More effective application of national policies in programs serving rural America.
3. Better housing.
4. More private sector jobs and higher income.

Other issues were raised, but were not dealt with in the strategy: increased incentives for health practitioners to locate in rural areas, tax credits for voluntary community service; Federal control of rural lands; payments in lieu of taxes; toxic wastes and pollution; energy costs; farm land preservation; soil erosion; water quality and availability; minimum wages for seasonal workers; rural historic preservation; rental housing vouchers as a substitute for mortgage

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3/ Better Country, p. 9-10.

4/ Ibid., p. 9.

interest subsidies; strengthened farmer cooperatives for assistance in marketing, finance, and management; concentration on renewable resources; implementation of the USDA "Prime Lands" policy; crime; and "human capital" enhancement through education and job training.

The 1983 strategy includes a clear statement of a "government philosophy," which underlies the response to the concerns raised through the strategy development process. This governing philosophy, which attaches a high value to local leadership and to joint public and private efforts to deal with community problems operates through four basic principles:

1. To restore political authority and flexibility at the levels of government most accountable to the people.
2. To streamline the Federal establishment to make it more responsive to local and State priorities, rather than the other way around.
3. To exploit the ability of private enterprise as well as government programs to benefit the public.
4. To build more effective partnerships between public and private efforts toward both rural and national progress.

The governing philosophy aims at a reduction of the Federal role in rural development in favor of increased activity by the State, local and private sectors. The strategy also addresses the issue of "poor program fit" of national programs which operate in rural areas. National programs frequently do not take into account the smaller scale, sparser population, and more distant settlement patterns of rural America. Larger communities frequently receive funds automatically, through predetermined entitlement formulas, while smaller communities must compete for limited discretionary funds.

The governing philosophy and the perceptions of the operation of national programs in rural areas shaped the development of the strategy reports submitted in 1983 and 1984. The 1983 strategy was directed at rural areas generally; the

1984 strategy directed attention to one particular aspect of rural communities, the relationship between the agricultural sector and the communities adjacent to this sector. The recommendations for action presented in the 1983 report are designed to respond to the four concerns identified through the rural strategy process. The 1984 recommendations are designed to respond to the economic partnership between farms and communities, as well as to general rural community concerns. The recommendations of each report are set out below; in some cases, the 1984 report provided information on actions taken to implement the 1983 recommendations. This information is included below in the 1983 recommendation summaries.

A BETTER COUNTRY RECOMMENDATIONS (1983)

The first concern set out in the 1983 report was improvements in rural facilities and services. 5/

> Critical to the prosperity of rural areas are reliable roads, bridges, water and sewer facilities, and other fixtures that are the lifelines of rural communities and regions. But the physical underpinnings of older regions of rural America are wearing out faster than they are being replaced. And in areas of new growth, particularly in the South and West, public facilities cannot keep pace with growing public demands on them . . . . As for community services, while significant progress has been made in the last decade, rural America continues to lag behind urban America in education, health care, transportation, elderly and child care, and other services. Within rural America itself, there is such diversity of need and resources that no single rural service scheme can be uniformly effective.

The recommendation in this area was for enactment of the Administration's New Federalism initiative which, among other things, would have incorporated

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5/ Better Counrty, p. 10.

the Farmers Home Administration's (FmHA) programs for water and sewer loans, water and sewer grants, and community facility loans into a Fedeal-State Block Grant program. Rural areas would be guaranteed the funds from programs that provided specified amounts to small cities and rural communities. This proposal was introduced as H.R. 2650 and S. 763; no action has been taken on these bills.

The second concern related to *more effective application of national policies in programs serving rural America*, or *assistance to rural governments*. The report finds that. 6/

> Though public service remains principally a part-time occupation in rural America, no problem is too large or too small to escape the responsibillity of the rural government official; yet, no official is given less leeway in fashioning solutions to a deskful of dilemmas than the rural public servant.

The strategy includes four recommendations for improving the application of national policies in programs serving rural America.

1. *Rural Regulatory Relief*. The President's Task Force on Regulatory relief will address specific ways in which reporting and regulatory requirements of rural development assisance programs may be significantly reduced through administrative means.
2. *Techncial Rural Assistance Information Network*. Networks sponsored jointly by local, State, regional, and national authorities would link technical assistance services with local rural development leaders. The Office of Rural Development Policy will work with other USDA agencies to provide technical assistance to States choosing to participate.
3. *Rural Resources Guide*. The Guide will catalog the nature and scope of both private and public rural assistance activities, and identify effective means of access to them. It will be available in the summer of 1984.
4. *Rural Data Collection*. The Bureau of the Census, Bureau of Labor Statistics and Bureau of Economic Analysis will improve the quality and specificity of information collected and reported on rural areas.

6/ Better Country, p. 11.

> The 1984 strategy reports that the Economic Development Division of the Economic Research Service is cooperating with ORDP in exploring the rural dimensions of four major data sources. The Census Bureau is conducting a campaign to emphasize the availability and value of data centers operated by State governments.

The third concern was the need for better rural housing. According to the report: 7/

> The incidence of substandard housing continues to be more than three times as high in rural regions as in urban areas. About 5.4 percent of rural housing is substandard, compared with 1.4 percent of urban housing.

The proposed solution was the establishment of a rural housing block grant program, to be established by the Federal government and administered by the States. Legislation to implement this proposal has been introduced (H.R. 2647; S. 761) but no action has been taken.

Private sector job creation and higher income were the focus of the fourth area of concern. According to the report, "The lack of job opportunities remains the greatest single problem in rural America." 8/

The strategy responds to this concern with recommendations dealing with enterprise zones, trade expansion and reform, and credit in rural areas.

1. Rural Enterprise Zones. The strategy proposes the creation of 25 rural enterprise zones over a three-year period, with the Zones to be designated by the Federal Government in response to State and local application. Federal incentives in the Zones would include tax credits for capital investments and rehabilitation, and payroll taxes for both employers and employees. Capital gains taxes would be eliminated and the availability of industrial development bonds for small businesses locating in the Zones would be guaranteed. Implementing legislation has been introduced in both houses: H.R. 1955 and S. 863.

7/ Better Country, p. 12.

8/ Ibid.

2. Trade Expansion and Reform. The strategy proposes to encourage the formation of export trading companies to increase the export of agricultural and other rural products and to more systematically disseminate Government-sponsored foreign market research and other trade assistance to public and private rural trade interests. The 1984 strategy reports that the Small Business Administration, the Export-Import Bank and the Department of Commerce's International Trade Administration have all taken steps to provide rural firms with information on export opportunities. In addition, the USDA has initiated an effort to increase the sale of high-value and value-added agricultural products to foreign markets.

3. Rural Credit. The strategy proposes to increase the range of financial services available in rural areas by implementing provisions of the Garn-St. Germain Depository Institutions Act of 1982; by examining the current delivery systems of Federal housing guarantee programs in rural areas to determine the feasibility of using FmHA field offices to improve access and delivery; and by instructing FmHA's field offices to provide support and technical assistance to rural communities seeking to undertake community facility projects. The 1984 strategy reports that a new program permits FmHA field offices to provide information on Veterans Administration and Federal Housing Administration home loan programs; in addition, housing subdivisons approved for credit by any of these three agencies will be eligible for loans from the other two agencies. A system of "certified lender" banks is being developed to handle USDA-guaranteed loans, and the Boston-based Financial Advisory Service has undertaken a new effort to locate national sources of capital for rural development.

RURAL COMMUNITIES AND THE AMERICAN FARM: FINDINGS (1984)

The 1983 rural strategy report concentrated on rural communities in general, and especially on the impact of urban to rural migration. The 1984 strategy also deals with the general rural situation, but it includes a specific focus on one aspect of life in certain rural areas: the relationship between farms and rural communities.

Rural Communities reports the "most striking fact" to emerge from the research that was done for this report: over a million American farm families depend on off-farms sources for a large portion of their annual income. The American farmer's dependence on "off-farm" income has increased from 42 percent of total income in 1960 to more than 60 percent today. Nearly half of all American farm operators reported in 1978 that their primary occupation was something "other than farming." Dependence on "off-farm" income has important implications for rural development policy, according to the report: 9/

> Part-time farming is no longer a transitional stage during which farmers and their family members take off-farm work on their way into or out of full-time farming. Instead, such part-time farming has come to represent a permanent and important part of a stable, multijob rural career.
>
> Farms with less than $40,00 in annual sales, a group in which most of the farm families report outside jobs, comprise just over 70 percent of all farms.
>
> Farms with annual sales between $40,000 and $100,000 may be candidates for economic extinction before the decade of the 1980's is out. Farms will either be larger or smaller, as the demand of daily farm operations and the need for substantial outside income on farms of this size are increasingly incompatible.
>
> By the end of this decade, the share of farm family income derived from off-farm sources will significantly exceed the current amount of about two-thirds.
>
> Off-farm income helps stablize total farm family income, since income from farming can fluctuate significantly from year to year.
>
> Encouraging more private sector job opportunities and more attractive rural investment opportunities for farmers thus become clear and urgent objectives of rural development.
>
> Given all these facts, the American farm and the vital rural community must move forward together. In many rural areas, one cannot succeed without the other. A strong working partnership can mean progress for both.

RURAL COMMUNITIES AND THE AMERICAN FARM: RECOMMENDATIONS

The 1984 strategy proposes to help strengthen the partnership between the farm and rural communities through four actions:

9/ Rural Communities, p. 23.

1. FmHA field offices will supply rural entrepreneurs with information on Small Business Administration programs that may be useful in the development of new rural businesses.
2. A greater effort will be made to provide Government-sponsored technical and management assistance to rural, as well as urban, enterprises.
3. An information exchange on innovative, small-scale rural business opportunities will be established by the Department of Agriculture.
4. The Department of Agriculture will specifically include in its future analysis of farm policies their potential impact on the nonfarm rural economy and on rural communities.

In addition to these proposals, the 1984 strategy has developed eight recommended steps aimed at strengthening the capacity of local rural leaders to manage solutions to local problems. These steps are to be taken with that goal in mind:

1. Additional management and technical assistance will be provided through a national volunteer program involving retired public service employees.
2. The Federal Government will, on a pilot project basis, assist States and local rural governments in developing methods for making comprehensive assessments of local transportation conditions and needs.
3. The Rural Electrification Administration will conduct a rural impact study to assess the potential effects of changes in the structure of the telephone industry on all rural people and forward the study to the Federal Communications Commission for their review.
4. The help improve the management and protection of rural natural resources, the Department of Agriculture will spend a greater share of its conservation budget on soil erosion control, flood protection, and water conservation.
5. The Department of Agriculture will provide technical assistance for Federal and local participation in farmland protection programs.
6. The Department of Agriculture will encourage greater participation by young people and other volunteers in rural conservation projects.
7. To improve coordination of governmentwide rural development efforts, all Federal agencies whose policies and programs effect rural areas will be asked to submit reports to the Department of Agriculture describing their work on behalf of rural America.

8. To help ensure that rural considerations are accounted for in all relevant Federal action, a rural affairs staff position will be designated in all appropriate Federal agencies.

BUDGET ANALYSIS

The Rural Development Policy Act requires that the annual strategy report should include "an analysis of the budget recommendations of the President for the fiscal year following the transmittal of the strategy or update of the strategy and of all the available budget projections of the President for subsequent fiscal years, and projections regarding the budget that are relevant or essential to the rural development policy and the rural development strategy . . . ." The 1983 and 1984 documents include a section dealing with rural development budgets.

Four areas are analyzed: community and infrastructure development, business and government economic assistance, housng and credit assistance, and "other selected programs," which include revenue sharing and farm assistance programs. The distribution in the analysis is based on data from the Economic Research Service's report Federal Funds in 1980.

According to the analysis, the FY85 budget calls for about $120.9 billion for development and farm assistance, with $32 billion allocated to rural areas. The comparable figures for FY 83 were $100.8 billion, of which $28 billion was intended for rural areas.

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RURAL DEVELOPMENT PROGRAMS: BUDGET TRENDS FY80-FY85

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May 14, 1984

RURAL DEVELOPMENT PROGRAMS: BUDGET TRENDS FY80-FY85

Rural residents and communities receive Federal funds for many purposes; some of these funding sources--e.g., Medicaid, school lunch programs--are available to all who meet the criteria of the program, wherever they may live. Other funding sources are designed specifically for use in specified places, such as rural areas; this report focuses on seven of the latter programs, all of which are administered by the Farmers Home Administration (FmHA). The table below shows total funding levels since FY80 for business and industrial loans, rural planning grants, and rural fire protection grants. The Appendix to this report provides a full funding history since FY80 for each of the programs.

TABLE 1. FmHA Non-Farm Rural Development Programs
Funding Levels, FY80-FY85

Fiscal year	Budget authority
1980	$2.3 billion
1981	$2.0 billion
1982	$0.9 billion
1983	$1.5 billion 1/
1984	$0.8 billion
1985	$0.4 billion

1/ Includes $600 million in Emergency Jobs Appropriation funds (P.L. 98-8).

Table 1 shows that the seven rural development programs have experienced a reduction of $1.9 billion since FY80. Two of the programs, business and industrial grants and rural planning grants, have not been funded since FY81.

There are several reasons why these programs have experienced reductions in funding levels. One is the Reagan Administration's general philosophy to reduce Federal Government involvement in area or regional development programs aimed at the development of particular places, including rural places. Another reason is that rural development funds are classified as "domestic discretionary" funds. This class of funds has been described as the most "controllable" part of the budget, meaning that they are particularly attractive to those seeking budget and deficit reduction targets. Finally, most rural development programs operated by FmHA are credit programs; consequently, they are affected by overall credit policies. Beginning in the later years of the Carter Administration, there has been a continuing attempt to establish greater control over Federal credit activities, and to bring them into the regular budget process.

As the funding history in the Appendix shows, the years since FY80 have been years of uncertainty for these seven rural development programs. In a number of years, there was more than one budget from the Administration, and the later versions usually included proposals for reduced levels for the programs. Rescission and deferral proposals were not uncommon. Two programs have received zero funding since FY81, and other programs have been funded by the Congress in spite of Administration requests for zero funding. In addition, three of the programs, water and sewer loans, community facility loans, and water and sewer grants, were proposed for consolidation into the State Mega-Block Grant under the Administration's 1983 Federalism Initiative; the Congress took no action on this proposal.

It should be noted that budget trends in generally-available programs may have an impact on rural areas at least as significant as the programs included in this report. For example, black lung benefits, which are available to anyone who suffers from a lung disability related to coal mining, wherever they may live, amounted to $1029.5 billion in FY80; 57.7 percent of this money was distributed in nonmetropolitan areas. 1/ Therefore, any change in the level of benefits under this program would have a significant impact on rural areas, though the black lung program is not thought of as a rural development program. The programs reviewed in this report are only one aspect of the total picture of budget trends affecting nonmetropolitan areas.

COMMUNITY AND REGIONAL DEVELOPMENT

Most of the Federal programs that are directed to specific places, such as rural areas, fall within the community and regional development function of the Budget (450). The direction of the budget since FY 1981 appears to be a faithful reflection of the community development philosophy expressed by President Reagan during the 1980 election campaign. Essentially, it envisions a smaller Federal role in community development and an increased local and private role. Funds would be made available not through Federal grants or loans but through the adoption of "overall economic policies that will stablize the dollar, spur job creating investment, reward savings, and leave more tax dollars in the pockets of local taxpayers and in the coffers of their local

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1/ U.S. Department of Agriculture. Economic Research Service. Economic Development Division. Federal Funds in 1980: Geographic Distribution and Recent Trends. Washington, U.S. Govt. Print. Off., 1982. p. 47.

governments." 2/ This continues to be the philosophy of the Administration, as the FY 1985 budget documents emphasize:

> [Federal community and regional development] policy recognizes that the most important stimulus to lasting community and regional development is a sound, expanding economy and that private, State, and local decisions and resources should have the primary role in community and regional development. 3/

> The Administration considers existing tax and market incentives for private sector investment in rural areas plus the reduction in inflation and in market interest rates achieved over the last 3 years sufficient to stimulate development of rural business and industry. Thus the need for Government guarantees for loans to viable rural businesses is sharply reduced. 4/

The Administration continuously has called for eliminating the Economic Development Administration (EDA), which commits about 40 percent of its funds to rural areas, and which has been a significant component of Federal activities aimed at development of places. The Administration's arguments in support of their objective illustrate its perception of all of the "place-oriented" programs of the Federal Government, including those directed to rural areas: 5/

> There is no convincing evidence that these programs have been effective in creating new jobs or capital investment, or are actually needed to promote local and regional economic development . . . . Economic expansion and job creation in distressed areas will be stimulated through general tax, fiscal, and regulatory reduction measures and more flexible community development support assistance.

2/ Reagan, Ronald. Presidential Candidates Speak Out on Small Towns. Small Town, v. 11, September-October 1980. p. 5.

3/ U.S. Executive Office of the President. Office of Management and Budget. Budget of the United States Government, FY 1985. Washington, U.S. Govt. Print. Off., 1984. p. 5-84.

4/ U.S. Executive Office of the President. Office of Management and Budget. Major Themes and Additional Budget Details, Fiscal Year 1985. Washington, U.S. Govt. Print. Off., 1984. p. 298.

5/ U.S. President, 1981—(Reagan). America's New Beginning: A Program for Economic Recovery. Washington, U.S. Govt. Print. Off., 1981. p. 10.

The Administration has justified the proposed elimination of EDA, in part, on the grounds that economic development assistance for rural areas will continue to be available through the FmHA programs discussed in this report. However, the FmHA community development programs have been funded at reduced levels, so it is not likely that they would be able to replace EDA funds. The Congress has continued to fund EDA, although the level of funding has been reduced.

Funding for "place-oriented" programs violates the Reagan Administration's philosophy of government. Such funding is also jeopardized because while the community development and economic subsidy component of the budget makes up a a small part of total outlays (2.2 percent in FY 1985), it accounted for an estimated 15 percent of domestic discretionary outlays in FY 1984. 6/ Domestic discretionary outlays have been described as the most "controllable" part of the budget, and therefore are vulnerable to budget and deficit reduction actions. The Administration proposed to reduce community development and economic subsidy's share of total domestic discretionary outlays to 7.7 percent in FY 1989; it proposes to achieve this saving by emphasizing reductions in the private sector's share of this funding, as opposed to funds directed to communities. 7/

6/ U.S. Executive Office of the President. Office of Management and Budget. Major Themes, p. 11. This document does not include rural development programs in the community development and economic subsidy component of the budget discussed here. Instead, rural development is included in the agricultural economy component. However, since rural development is elsewhere included in the community development functions and since the programs that are included are significant for rural areas (e.g., EDA, Appalachian Regional Commission) this development seems relevant to this report.

7/ Ibid., p. 12.

CREDIT BUDGET IMPACT ON RURAL LOAN PROGRAMS

Reducing the credit activities of the Federal Government has been a goal of the Reagan Administration since it took office. Since greater access to credit in rural areas is a major element of existing rural development programs, and since the Farmers Home Administration historically has relied on loan rather than grant programs, this policy has been significant for rural areas.

The Administration originally justified reductions in credit activity on the basis of its findings that "credit programs that were designed to promote economic development . . . have had little or no measurable results or have exacerbated existing problems by interfering with the efficiency of private financial markets." 8/ It continues to work toward greater control of Federal credit programs, arguing that: 9/

> Federal credit in all its forms imposes costs on the U.S. economy that must be weighed against its benefits. Federal intervention through guarantees and direct loans may misdirect investment and preempt capital that could be used more efficiently by unsubsidized, private borrowers. Because federally assisted borrowers are frequently less productive than private borrowers, large Federal credit demands, and the degree of subsidy involved in Federal credit activity, must be reduced if we are to improve prospects for economic growth.

In addition to reducing the levels of funding for rural development credit activities, the Reagan Administration supported legislation initially developed by the Carter Administration to make such credit more costly to borrowers. The intent was to raise the interest rate on several rural development loan programs

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8/ U.S. Executive Office of the President. Office of Management and Budget. Budget Revisions; Fiscal Year 1982. Washington, U.S. Govt. Print. Off., 1981. p. 17.

9/ U.S. Executive Office of the President. Office of Management and Budget. Budget, 1985, p. M15.

from 5 percent to a figure closer to the average municipal bond rate charged on similar types of projects. Current legislative provisions establish a three-tiered rate structure ranging from 5 percent for low-income communities to market rate (currently 9 5/8 percent) for another segment of communities, with a rate halfway between these levels for other communities.

One criterion used in developing the Administration's credit reduction proposals was the "application of rigorous standards to economic subsidy programs." Cuts in rural development credit program resulted from the Administration's application of this criterion to three programs funded through the Rural Development Insurance Fund. These programs are described below.

The Business and Industrial Loan Program, which the Reagan Administration proposes to eliminate, was established by the Rural Development Act of 1972 to facilitate the development or improvement of business and industry in rural areas, to stimulate economic growth, to create employment opportunities, and to improve the environment. Loans may be made for the purposes of financing business and industrial acquisition, construction, conversion, enlargement, repair, or modernization; financing the purchase and development of land, easements, rights-of-way, buildings, facilities, leases, machinery, supplies and materials; payment of start-up costs; and supplying working capital. Loans have been made to mining, transportation, and manufacturing companies, retail and wholesale businesses, alcohol production facilities and service oriented businesses. In FY80, with $1 billion in budget authority, 1,160 loans were made under this program. The FY84 funding level of $300 million supported an estimated 272 loans. The Administration proposes no funding for the Business and Industrial Loan Program in FY85, "Because it has not demonstrated sufficient effectiveness to merit continuation." 10/

The Water and Sewer Loan Program was established with the objective of providing basic human amenities, alleviating health hazards, and promoting the orderly growth of the rural areas of the nation by meeting the need for new and improved rural water and waste disposal facilities. Projects have been funded for the following purposes: construct new water system consisting of waterlines, pumping station, wells and storage tanks; water system improvements consisting of additional waterlines, new water treatment facility and booster pump; renovation of existing water system which includes new distribution lines, wells and pressure tanks; replace sewage treatement plant and improve sewage collection lines; and rehabilitate sewage collection lines and construct lift station. The program is designed to serve communities with less than 10,000 population. In FY80, with $700 million in budget authority, 1,825 loans were made under this program. The FY84 appropriation of $270 million supported an estimated 635 loans. The Administration's proposed FY85 funding level of $250 million would support an estimated 549 loans.

The Community Facility Loan Program authorized by the Rural Development Act of 1972 was intended to construct, enlarge, extend, or otherwise improve community facilities providing essential services to rural residents. Loans have been made to establish rural health clinics in medically underserved areas, purchase fire fighting equipment for rural towns, construct new municipal buildings, build new schools to serve rural counties, and renovate hospitals

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10/ U.S. Executive Office of the President. Office of Management and Budget. Appendix to the Budget for Fiscal Year 1985. Washington, U.S. Govt. Print. Off., 1984. p. I-E56.

to meet current life/safety codes. The FY80 funding level of $240 million permitted the funding of 674 community facility projects. In FY84, the $130 million funding level was expected to support 311 loans. The Administration proposes an FY85 funding level of $100 million, which would fund an estimated 223 projects.

GRANT PROGRAMS

Four rural development grant programs, two of which are directly related to the loan programs described above, are included in this report. Although the grant programs have been affected by the same reduction trend as the loan programs, and in fact two of them are no longer receiving any funds, the impact may be somewhat less severe because of the historical preponderance of loan programs in FmHA's rural development efforts.

Industrial development grants were authorized by the Rural Development Act of 1972 to facilitate the development of business, industry and related employment and so to improve the economy of rural communities. Grant funds could be used to finance industrial sites in rural areas including the acquisition and development of land and the construction, conversion, enlargement, repair or modernization of building, plants, machinery, equipment, access streets and roads, parking areas, transportation serving the site, utility extensions, necessary water supply and waste disposal facilities, pollution control and abatement incidental to site development, fees, and refinancing. In FY80, this program was funded at a level of $10 million, and 196 grants were made. The progam was last funded in FY81, at a level of $5 million.

Water and Sewer Grants were authorized by the Rural Development Act of 1972 to supplement the existing water and sewer loan program. Grants may be used to pay interest on loans, operations and maintenance costs, or to acquire or refinance an existing system. The grant program is used primarily in conjunction with the loan program to lower the user charges for the proposed system. In FY80, $300 million were available for this program; 1,011 grants were awarded. The budget estimates that in FY84 the funding level of $93.7 million will support 253 grants. The Administration's proposed FY85 funding level of $90 million would support an estimated 227 grants.

Rural development planning grants were authorized by the Rural Development Act of 1972 for use in the development of comprehensive planning for rural development, especially as such planning affects the unemployed, the underemployed, those with low family incomes, and minorities. The major objective was to achieve more efficient coordination and targeting of Federal and non-Federal rural development activities. The FY80 budget authority was for $7 million, which supported 184 grants. The program was last funded in FY81 at a level of $5 million.

Rural fire protection grants were authorized by the Cooperative Forestry Assistance Act of 1978 for the purpose of organizing, training, and equipping local fire-fighting forces in rural areas. The FY80 budget authority for this program was $3.5 million. The FY84 appropriation of $3.25 million is expected to fund 3,003 grants. The Administration is requesting no funds for FY85.

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APPENDIX: RURAL DEVELOPMENT FUNDING (In Millions of Dollars)

	Water & Sewer Grants (12-2066-452) 1/ (10.418) 2/	Water & Sewer Loans (12-4155-452) 1/ (10.418) 2/	Business & Industrial Loans (12-4155-452) 1/ (10.411) 2/	Business & Industrial Grants (12-2065-452) 1/ (10.424) 2/	Rural Planning Grants (12-2068-452) 1/ (10.426) 2/	Rural Fire Protection Grants (12-2067-452) 1/ (10.664) 2/	Community Facility Loans (12-4155-452) 1/ (10.423) 2/
FISCAL YEAR 1980							
Authorization	300	1,000 3/	1,500 3/	50	15	Open	500 3/
1980 Budget Authority	300	700	1,000	10	7	3.5	250
FISCAL YEAR 1981							
January Budget Request, FY 81	284	700	936	10	5	0	240
March Budget Revisions, FY 81	100	400	751	0	0	—	—
April Rescissions, FY 1980		—	—	—	—	—	—
Proposed:	75				2		
House:	0				2		
Senate:	50				0		
Conference:	10				1		
Appropriations, FY 81	200	750	741	4	5	3.5	260

See notes at end of table.

APPENDIX: RURAL DEVELOPMENT FUNDING (In Millions of Dollars)--Continued

	Water & Sewer Grants (12-2066-452) 1/ (10.418) 2/	Water & Sewer Loans (12-4155-452) 1/ (10.418) 2/	Business & Industrial Loans (12-4155-452) 1/ (10.411) 2/	Business & Industrial Grants (12-2065-452) 1/ (10.424) 2/	Rural Planning Grants (12-2068-452) 1/ (10.426) 2/	Rural Fire Protection Grants (12-2067-452) 1/ (10.664) 2/	Community Facility Loans (12-4155-452) 1/ (10.423) 2/
FISCAL YEAR 1982							
January Budget Request, FY 82	100	575	500	0	6	0	260
March Budget Request, FY 82	100	300	0	0	0	0	130
March Rescissions, FY 81							
Proposed:		160			2	1.5	
House:		Rescind 50, Defer 110			Defer 2	Defer 1.5	
Senate:		0			Rescind 2	Defer 1.5	
Conference:		0			Defer 2		
Reconciliation (P.L. 97-35) 4/							
FY 82	154.9	300		5.0	4.7	3.5	130
FY 83	154.9			5.2	4.9	3.8	
FY 84	154.9			5.5	5.1	4.0	
Appropriations, FY 82							
House	150	450	300	0	0	3.5	130
Senate	100	325	300	0	0	3.0	135
P.L. 97-103	125	375	300	0	0	3.25	130

See notes at end of table.

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APPENDIX: RURAL DEVELOPMENT FUNDING (In Millions of Dollars)--Continued

	Water & Sewer Grants (12-2066-452) 1/ (10.418) 2/	Water & Sewer Loans (12-4155-452) 1/ (10.418) 2/	Business & Industrial Loans (12-4155-452) 1/ (10.411) 2/	Business & Industrial Grants (12-2065-452) 1/ (10.424) 2/	Rural Planning Grants (12-2068-452) 1/ (10.426) 2/	Rural Fire Protection Grants (12-2067-452) 1/ (10.664) 2/	Community Facility Loans (12-4155-452) 1/ (10.423) 2/
FISCAL YEAR 1983							
Budget Request, FY 83	120	300	0	0	0	0	130
Appropriations, FY 83							
House	125	375	300	0	0	3.25	130
Senate	125	300	350	0	0	3.25	130
P.L. 97-370	125	375	300	0	0	3.25	130
P.L. 98-8 (Emergency jobs appropriations)	150	450					
FISCAL YEAR 1984							
Budget Request, FY 84	90	250	0	0	0	0	100
Appropriations, FY 84							
House	125	375	300	0	0	3.25	130
Senate	90	270	300	0	0	3.25	130
P.L. 98-151 (Continuing Resolution)	90	270	300	0	0	3.25	130

See notes at end of table.

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APPENDIX: RURAL DEVELOPMENT FUNDING (In Millions of Dollars)--Continued

	Water & Sewer Grants (12-2066-452) 1/ (10.418) 2/	Water & Sewer Loans (12-4155-452) 1/ (10.418) 2/	Business & Industrial Loans (12-4155-452) 1/ (10.411) 2/	Business & Industrial Grants (12-2065-452) 1/ (10.424) 2/	Rural Planning Grants (12-2068-452) 1/ (10.426) 2/	Rural Fire Protection Grants (12-2067-452) 1/ (10.664) 2/	Community Facility Loans (12-4155-452) 1/ (10.423) 2/
FISCAL YEAR 1985							
Budget Request, FY 1985	90	250	0	0	0	0	100

1/ Budget account number.

2/ Catalog of Federal Domestic Assistance number.

3/ FY80, 81, 82 (loan levels set by P.L. 96-438).

4/ Authorization Limits.

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